



County of Monterey – Board of Supervisors FY 2021-22 Budget End of Year Report

County Administrative Office



Recommended Actions (1)

- a. Receive and accept the Budget End-of-Year Report for FY 2021-22 from the County Administrative Office.
- b. Authorize the County Administrative Office to make the following fund balance designations in FY 2022-23 and authorize and direct the Auditor-Controller to make the fund balance changes in Advantage:
 1. Designate \$3,980,683 to the compensated absences assignment.
 2. Designate \$400,000 to the capital project assignment for the Sustainability Program's solar and battery capital projects.
 3. Designate \$783,450 to the revenue stabilization assignment from surplus Proposition 172 revenue
 4. Designate \$80,000 to the general capital assignment for survey software outlay.
 5. Designate \$493,237 to the general capital assignment for future Agricultural Commissioner capital project outlay
 6. Designate \$1,134,579 to the general capital assignment for Elections equipment.
 7. An appropriation increase in the capital fund of \$32,681, that will be financed by a recommended designation of \$32,681 to the capital project assignment for the COVID-19 memorial from surplus in the Board of Supervisors' budget



Recommended Actions (2)

8. A \$6,000 appropriation increase in the Clerk of the Board's budget to cover all expenses for framed Board resolutions and to enhance certificates for Board resolutions per Board Referral No. 2022.21 financed by unassigned fund balance.
 9. A \$15,000 appropriation increase in the County Administrative Office budget for department head training financed by unassigned fund balance
 10. A \$250,000 appropriation and revenue increase in the Pension Liability Fund to account for trust and investment management expenditures
- c. Action items performed based on prior Board authorization
1. Assigned \$15.4 million to allocate the pension trust
 2. Repaid \$3 million to cannabis assignment for the Laguna Seca track and start/finish bridge projects



FY 2021-22 End of Year Results Favorable*

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

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

¹ Includes recommended designations to fund balance assignments.

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

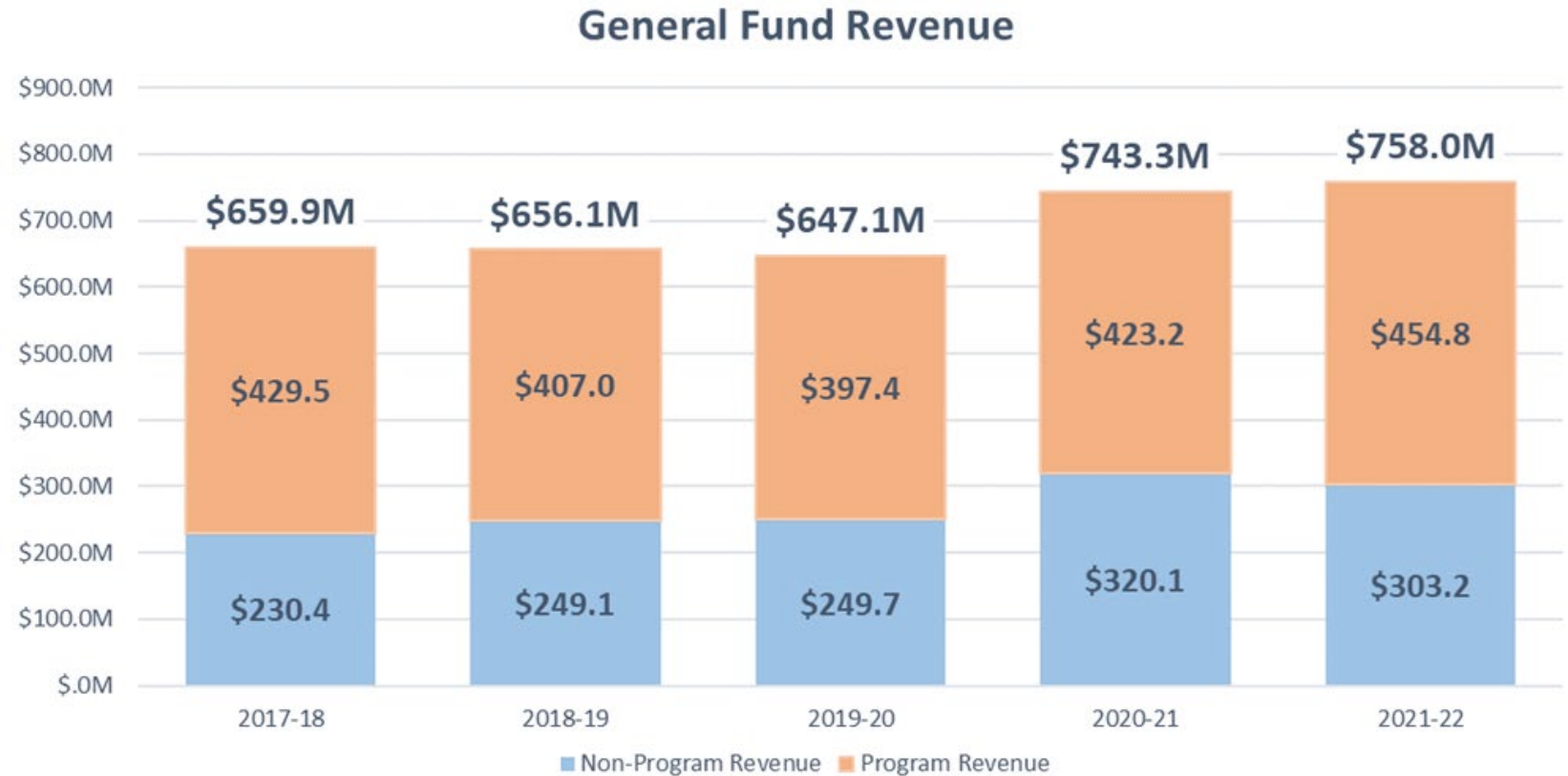
- Operating surplus of \$17.7 million
- Added \$3.9 million to the strategic reserve; fully funding it at 10% of General Fund Revenues
- Added to 115 pension trust: \$30.6 million in FY 2021-22 based on FY 2020-21 financial results and \$15.4 million from FY 2021-22 financial results as authorized by the Board.
- The pandemic created significant challenges, but estimated unassigned fund balance is estimated at \$3.6 million
- Positive results could not have been accomplished without federal aid (\$17.8 million ARPA revenue)

* Unaudited Results



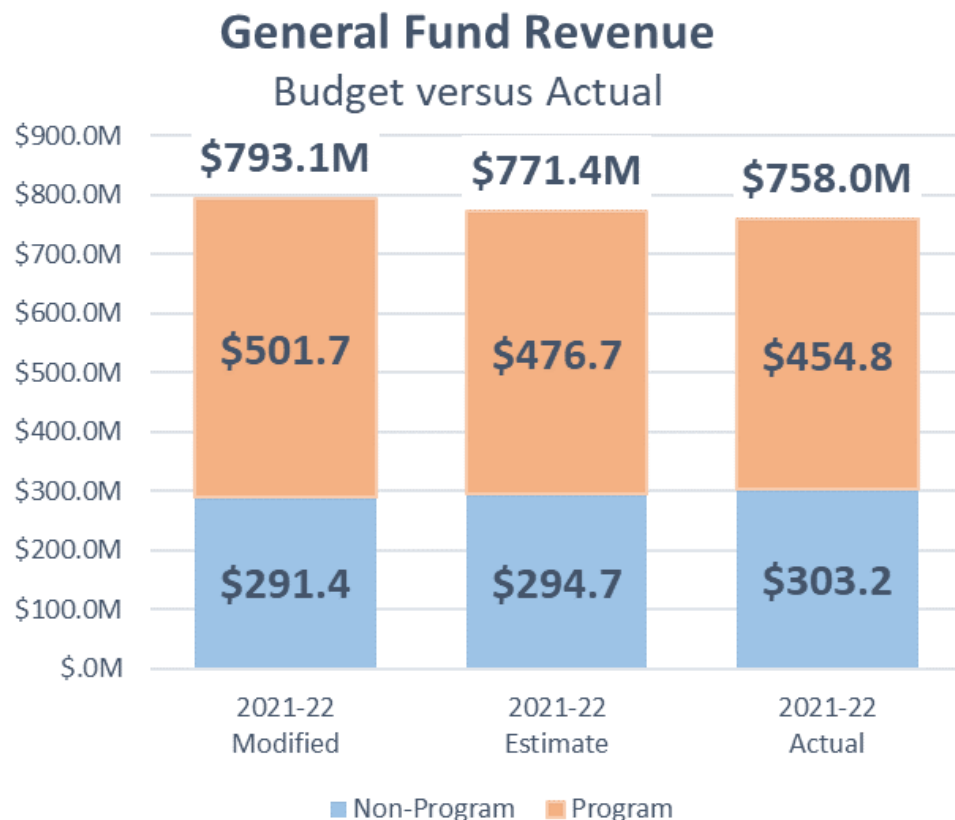
General Fund Revenue Trend

- Revenue increased by \$14.7 million over the previous year with primary change in non-program revenue
- Adjusting for one-time federal funds, revenue decreased by approximately \$4 million





Revenue Performance



- Total Revenue lower than budget by \$35.1 million
- Discretionary non-program revenue performed better than budget by \$11.8 million. ARPA is included as discretionary revenue (\$17.8 million).
- Program revenue was \$46.9 million below budget. Primary drivers impacting program revenue shortfalls:
 - Lower revenue in social service programs (\$19.3 million)
 - Health Revenues (\$12.7 million), redirection of staff for pandemic response and vacancies in revenue generating positions



Discretionary Non-Program Revenue (1)

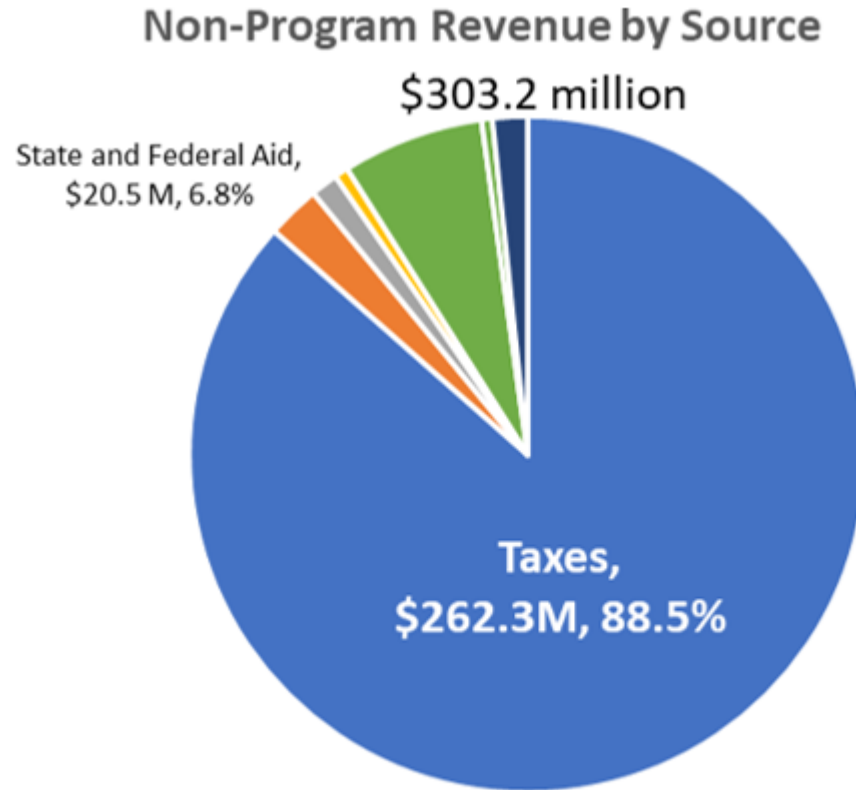
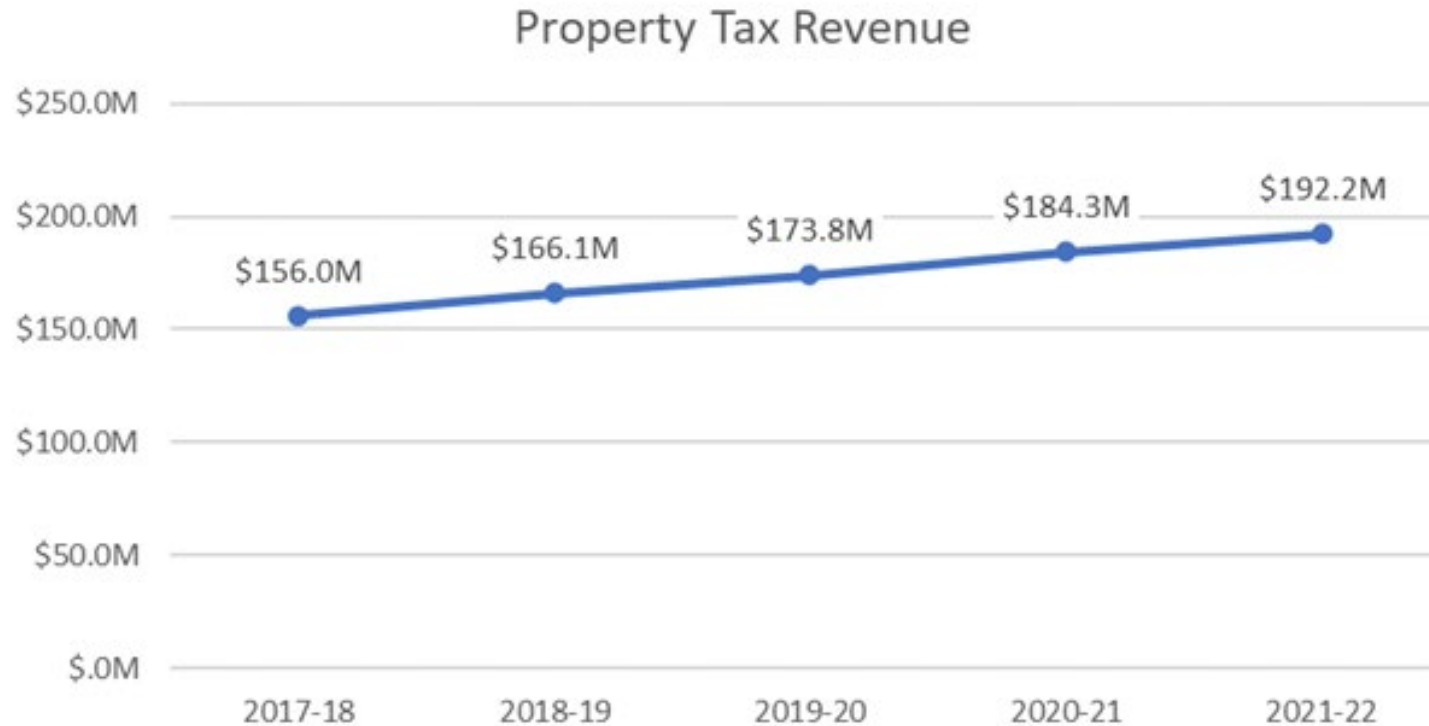


Figure 2: Other revenue sources in the chart: Licenses, Permits & Franchises (2.6%), Miscellaneous Revenues (1.7%), Fines, Forfeitures & Penalties (1.3%), Revenue from Use of Money and Property (0.7%) and Charges for Services (.05%).

- Majority of discretionary revenue is derived from property taxes
- Property taxes have continued to grow but several economic reports indicate the real estate market is slowing down affecting property values
- However, the County Assessor also indicates planned new housing development could potentially increase the property tax base in the County
- The County's budget office is closely monitoring potential changes with this important revenue source for the County
- Federal Aid could be available in similar levels over the next two fiscal years as ARPA spend down continues



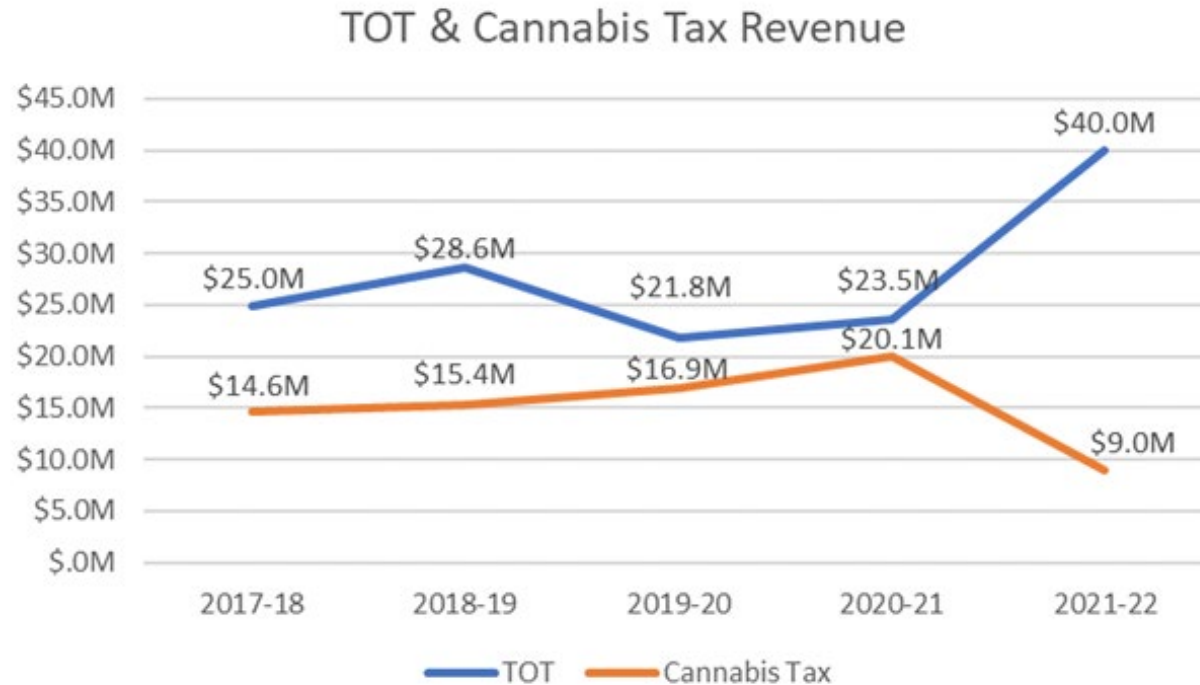
Discretionary Non-Program Revenue (2)



- Property Tax Revenue continued to grow, but rate of growth is projected to slow down.



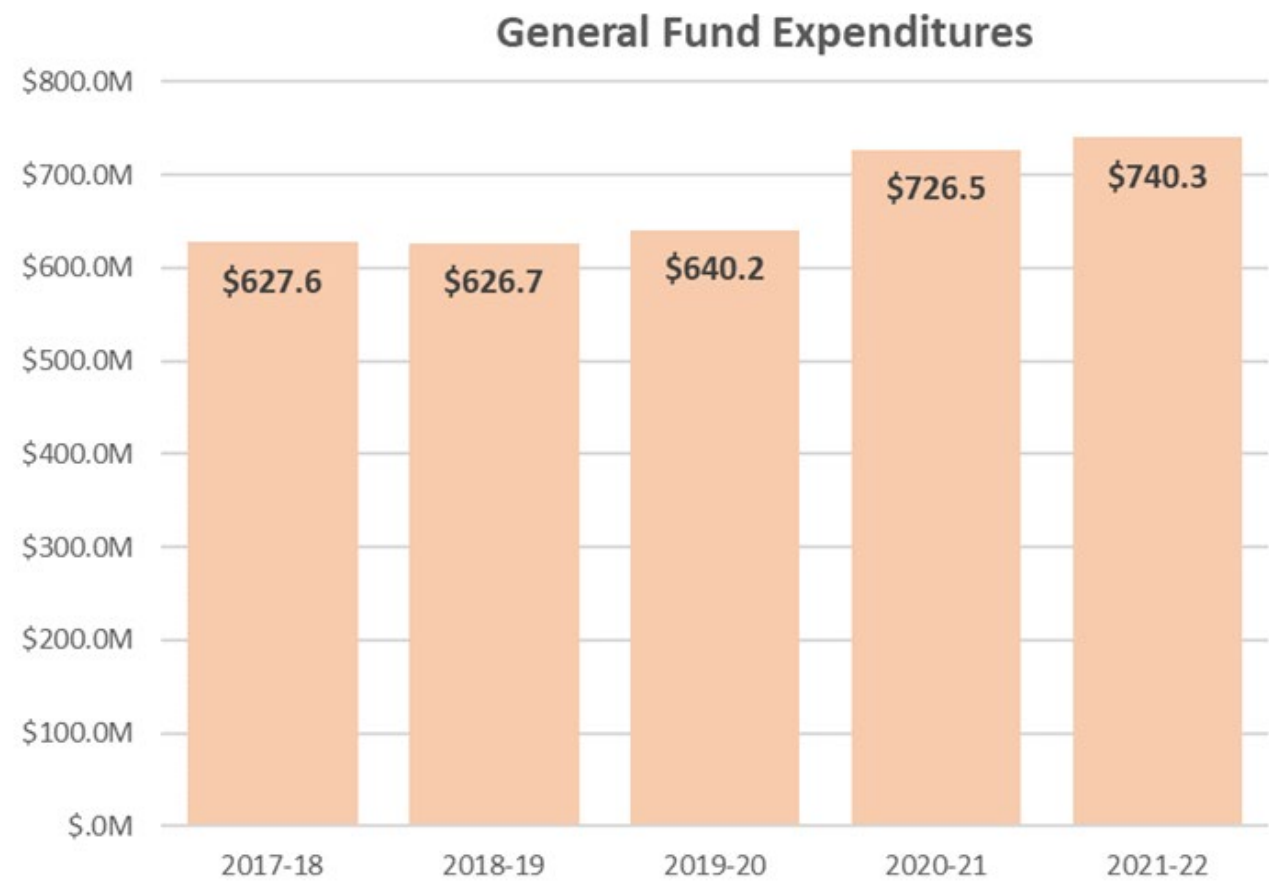
Discretionary Non-Program Revenue (3)



- Transient Occupancy Tax increased, growing to levels never seen before in the County. Need to determine if this level of revenue is sustainable
- Cannabis Revenue decreased as tax rates decreased. **Effective FY 2020-21**, annual cannabis revenue was distributed as discretionary GFC to the Departments, up to prior year Board approved levels. **Beginning with FY 2022-23**, cannabis revenue use was limited by the Board to cover cannabis program expenses and some limited non-cannabis County costs
- Changes in this revenue stream are ongoing for FY 202-23



General Fund Expenditure Trend



- Expenditures were higher than the prior year by \$13.8 million. Trend continues to show growth in expenditures year over year, but the rate of growth stabilized in FY 2021-22
- Major areas of cost increases include:
 - \$37.9 in salaries and benefits
 - \$12.8 million in cost allocation
 - \$7.9 million in insurance



General Fund Expenditures

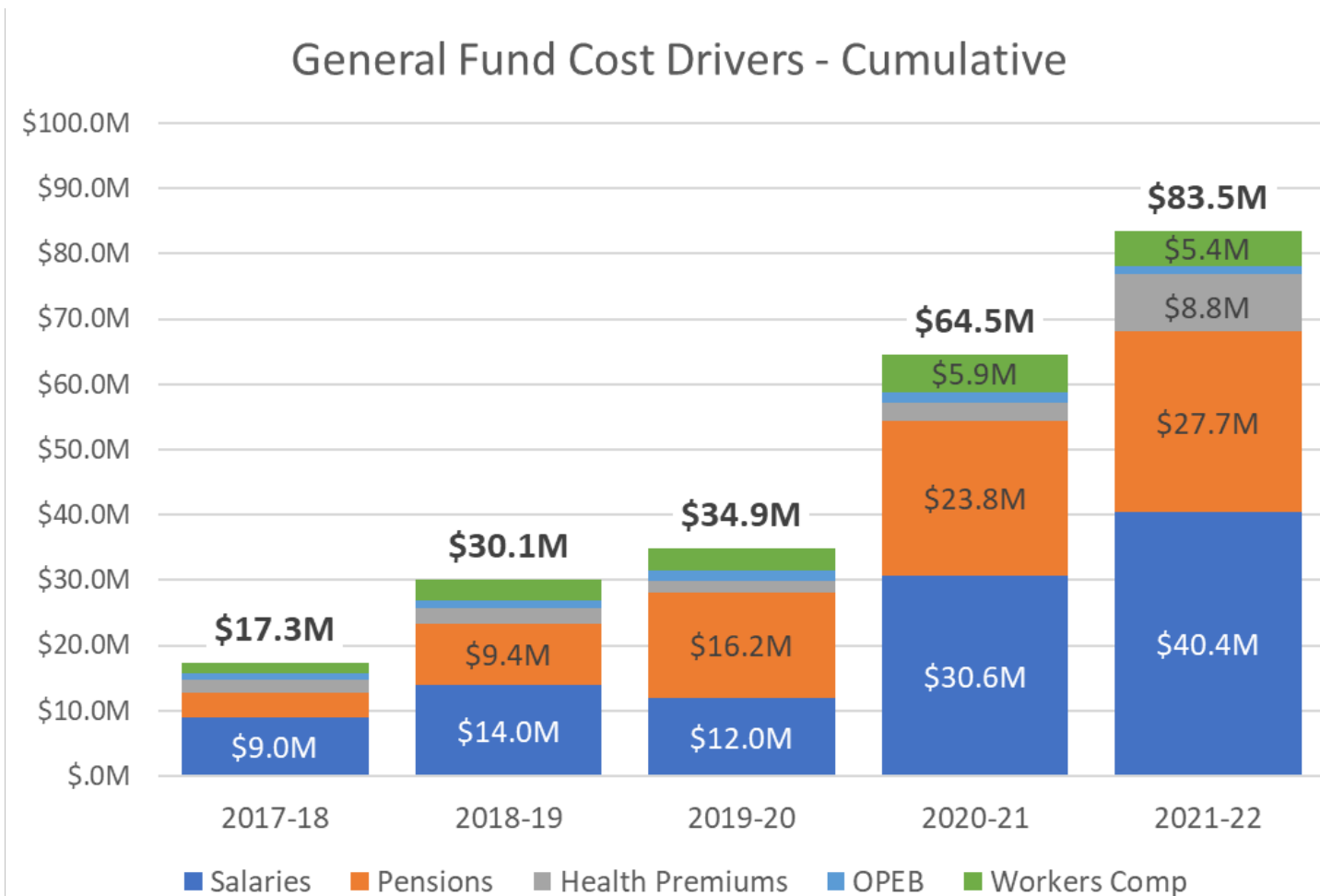
General Fund Expenditures
Budget versus Actual



- Expenditures were lower than budget by \$76.8 million.
- Primary areas include with lower expenditures include:
 - \$13.1 million in the CAO's Department
 - \$26.8 million in Social Services (\$13.3 million in rental assistance programs, \$6.9 million salary savings, and \$5.7 million in out of home care)
 - \$11.3 million in the Health Department, with \$10.7 in salary savings as the main driver



General Fund Cost Drivers



- Salary costs increased \$9.8 million over the prior year
- Contributions to CalPERS pension costs increased \$3.9 million
- Health Care Costs increased by \$6 million

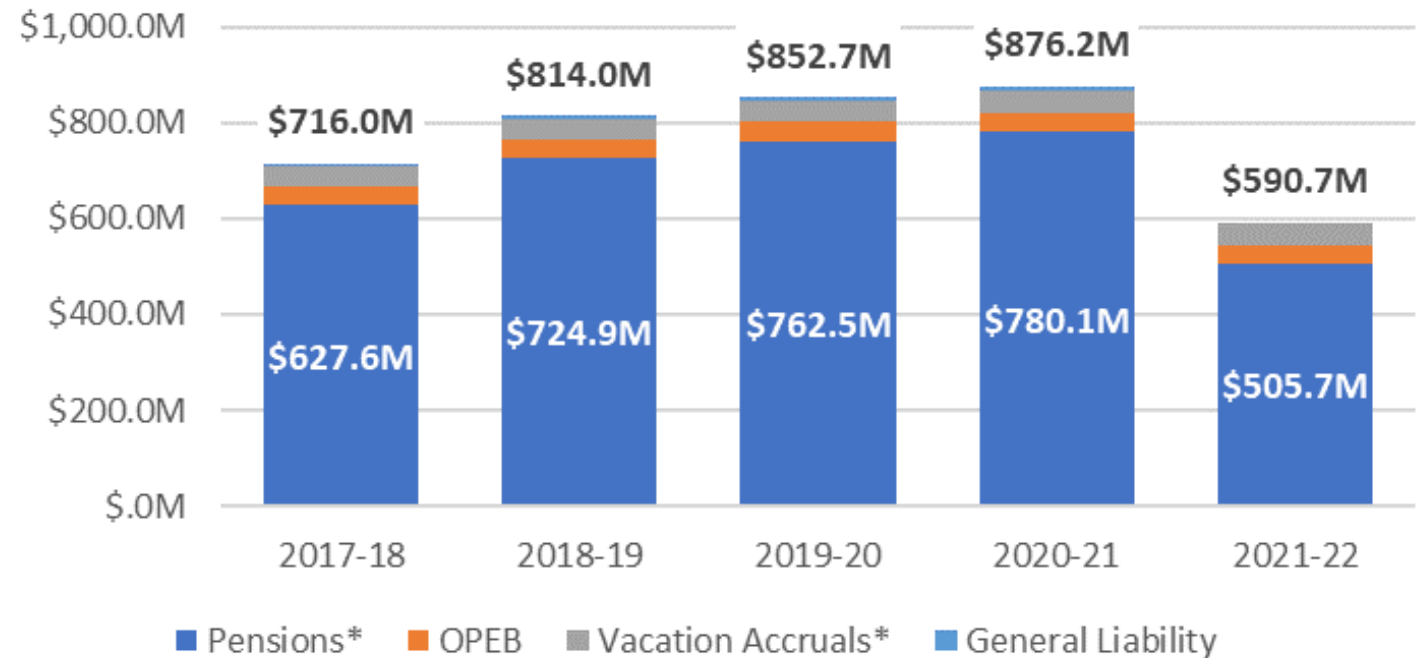


Unfunded Liabilities – Long Term Impact

- Unfunded Liability: the present value of funds available to pay accrued liabilities (based on actuarial reports)
- Pensions represent the County's largest unfunded liability
- Most recent increases in pension liability due to a change in the discount rate from 7.5% to 7% over a three-year period. Sharp increases in unfunded liability should stabilize by FY 2024-25.
- County began to address this unfunded liability by establishment of 115 pension trust
- Decrease in liability to \$590.7 million

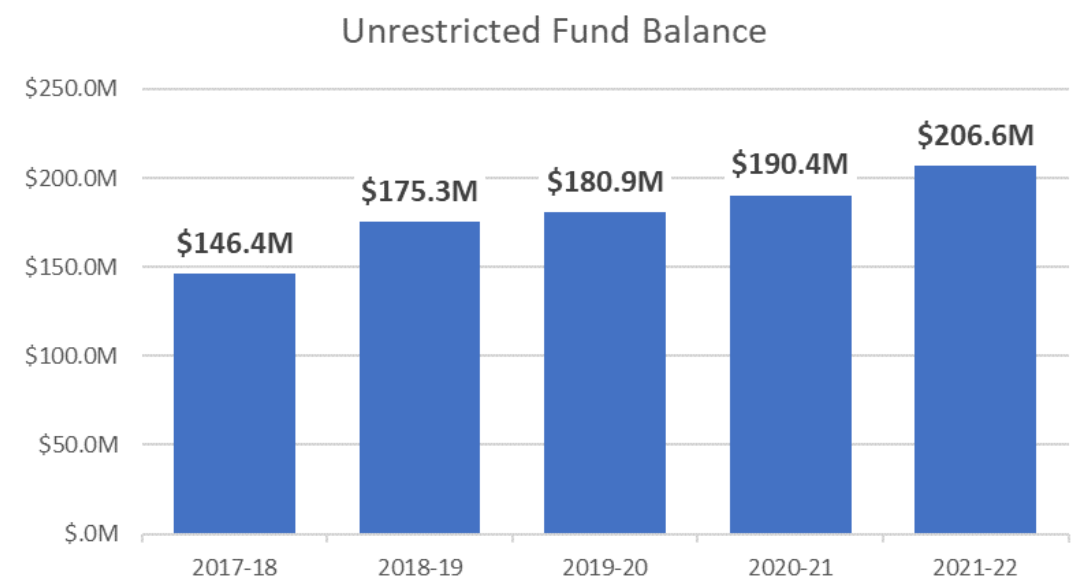
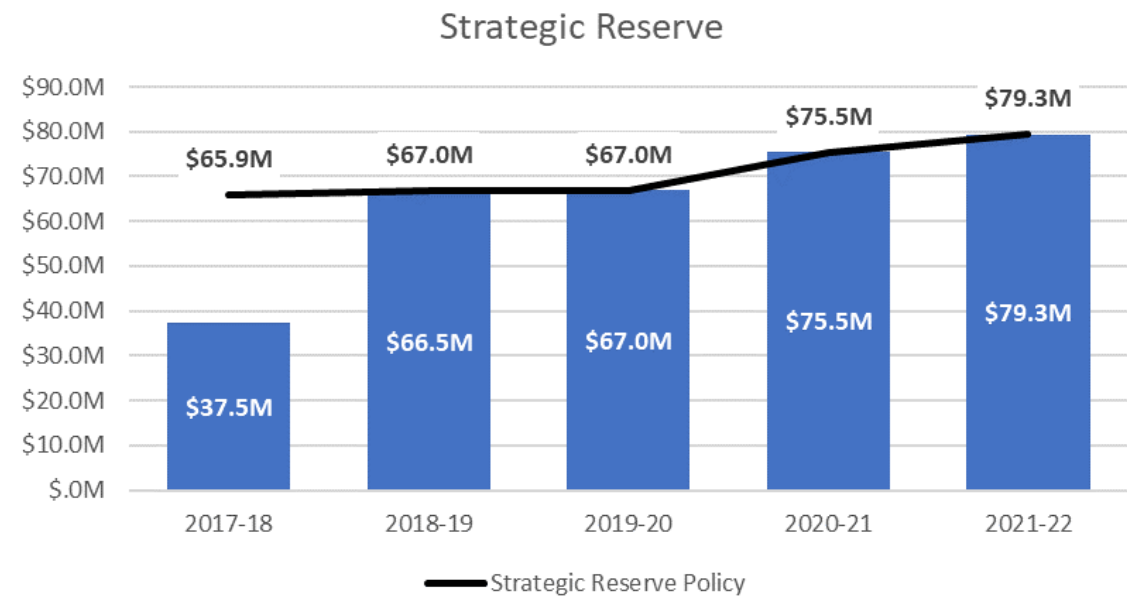
Unfunded Liabilities

(actuarial obligations)





Fund Balance and Strategic Reserve



- Even in challenging times, the County has been able to grow its Strategic Reserve and met the goal of 10% of GF revenues as set by Board Policy
- Unrestricted fund balance also shows improvement over the last five fiscal years
- This is due to sound financial policies and practices guided by the Board of Supervisors, and prudent financial management by County departments



Performance by Department- General Fund

- Eighteen Departments ended the year with positive results while four ended the year over their budgeted General Fund Contribution for a net -\$317,221 million result
- When accounting for one-time adjustments, there was only one department which ended the year with a deficit.
- Impact to operations would have been greater if federal aid was not received

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

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



Other Funds

- The Road Fund ended the fiscal year with \$18.5 million in fund balance, representing a decrease of \$4.4 million from the prior year. Both revenues and expenditures were below budget.
- The Library Fund ended the year with a fund balance by \$6.3 million resulting from lower expenditures in salaries and benefits due to vacancies.
- Behavioral Health Fund had an increase in fund balance of \$12.3 million for an ending fund balance of \$62.6 million. Of this total, \$12.3 million is assigned, and \$48.5 million is unassigned.
- Emergency Communications ended the year with a fund balance of \$3.4 million, a \$1.7 million increase. This is the third year of this fund operating outside the general fund.



Other Funds - Continued

- Natividad Medical Center ended the year with an increase in net position of \$27.6million. This increase is a result of increased patient volumes and associated revenue.
- The Nacimiento Lake and Resorts Fund ended the year with a fund balance of \$2.3 million, an increase of \$420,241. These results include a general fund transfer of \$0.5 million and one-time revenue from FY 2019-20 of \$0.7 million. Without this one-time revenue, operating results yielded a negative \$0.3 million. Of the \$2.3 million fund balance, \$1.6 is unassigned.
- Laguna Seca (Fund 453) ended the year with a net position of \$9.9 million, a reduction of \$1.6 million. These results include \$3.1 million in prior year revenue. Without these prior year revenues, the net results would have been a negative \$\$4.7 million.



Questions