February 2014

Three-Year Forecast: 2013-14 through 2016-17

Introduction

Monterey County's annual Three-Year Financial Forecast provides policy-makers and the public with an assessment of the County's financial health through the current and following three fiscal years. The forecast is not a spending plan or budget. It does not attempt to predict or include possible local implications of pending federal issues, yet to be determined impacts of the State's fiscal condition and future budget actions, or future decisions and policies of the Board of Supervisors (Board). Rather, the forecast serves as a tool for measuring future year needs and resources based on current year adopted budget policies.

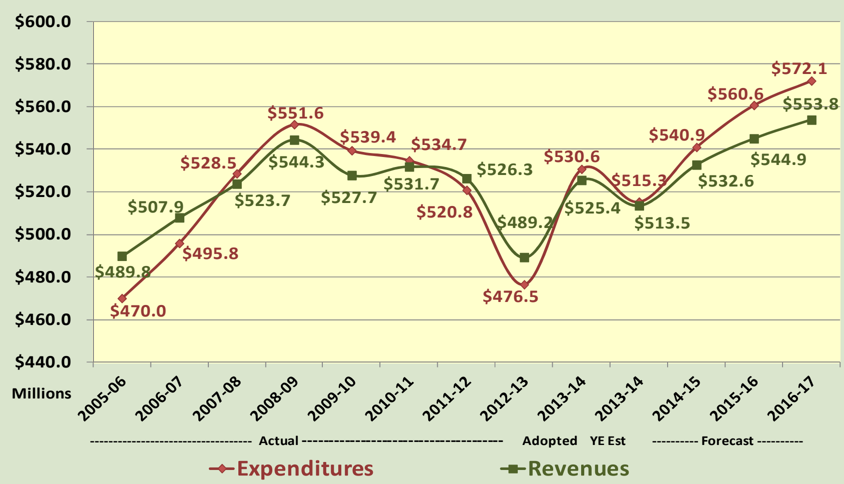
The Three-Year Forecast examines recent past, current, and emerging economic conditions in relationship to general fund revenues and expenditures, and incorporates data provided by all County departments to develop year-end estimates for the budget year in progress. The estimated year-end fiscal condition subsequently drives a longer view projection of anticipated financing sources and cost requirements through each of the next three fiscal years.

The County's Assessor, Treasurer-Tax Collector, and Auditor-Controller add important insight on key economic indicators and conditions that may further influence the County's financial health, including assessed property valuations, property tax growth and flow of collec-

2014 Monterey County Board of Supervisors

The 2014 Monterey County Board of Supervisors: Fernando Armenta (District 1), Louis R. Calcagno (District 2), Simon Salinas (District 3), Jane Parker (District 4), and Dave Potter (District 5).

General Fund Forecast



Note: Year-end Estimate and Three-Year Forecast totals exclude Contingencies.

tions, local sales tax and transient occupancy tax trends, and County debt issues.

Budget Development and Reporting Cycle

The Board conducts annual budget hearings in early June of each year to ensure adoption of a balanced budget by the July 1 start of the next fiscal year. In order to meet budget development and deliberation timelines, preparation of the next year's budget is generally initiated at mid-year, when departments begin preparing year-end estimates and the three-year forecast. The forecast is a critical element of the budget preparation process, constructed to provide a comprehensive review of future year spending needs and anticipated revenues. Through the strategic process initiated by development of the forecast, the Board gains a budgetary context for developing and modifying budget policies to address emerging financial trends and concerns.

> Instead of worrying about the future, let us labor to create it.
> *~Hubert H. Humphrey*

Ultimately, this model is designed to facilitate decision-making based on two fundamental questions: "What is the financial future of the County without change?" and "What path do we wish to take for the future?"

General Fund Forecast At a Glance

The chart below shows the results of department estimates for the current year-end and through the next three fiscal years. At $513.5 million, the year-end estimate for expenditures reflects a $15.4 million savings compared to the $530.6 million included in the Adopted Budget. Year-end revenues are estimated to total $513.5 million, a total that is $11.9 million lower than the Adopted Budget. In contrast, expenditures increase to $540.9 million in FY 2014-15, with offsetting funding of $532.6 million. Expenditures in FY 2015-16 total $560.6 million, offset by $544.9 million in revenues. Expenditures increase to $572.1 million in the final year of the forecast, and revenues total $553.8 million.

Maintaining Budgetary Structural Balance

The three-year forecast presented to the Board of Supervisors in March 2013 highlighted the significant progress Monterey County has made toward long-term structural integrity even as it continues to struggle through some of the lingering financial impacts of the 2007-2009 economic downturn. After four years of budget reductions, the County ended FY 2011-12 with a general fund operating surplus of $5.5 million, marking the County's first year of operating surplus since the onset of the

General Fund Forecast at a Glance

General Fund	FY 2012-13	FY 2013-14		2014-15	2015-16	2016-17
	Actual	Adopted	Year-end Estimate[1]	Forecast[1]		
Available Financing:						
Fund Balance	$ -	$ -	$ -	$ -	$ -	$ -
Canc'l. of Designtns/Encmbrncs	5.1	5.2	-	-	-	-
Revenues	489.2	525.4	513.5	532.6	544.9	553.8
Total Financing Sources	**$ 494.3**	**$ 530.6**	**$ 513.5**	**$ 532.6**	**$ 544.9**	**$ 553.8**
Financing Uses:						
Assignments	$ 17.5	$ -	$ -	$ -	$ -	$ -
Expenditures	476.5	530.6	515.3	540.9	560.6	572.1
Total Financing Uses	**$ 493.9**	**$ 530.6**	**$ 515.3**	**$ 540.9**	**$ 560.6**	**$ 572.1**
Fund Balance-General Fund	**$ 0.4**	**$ 0.0**	**$ (1.8)**	**$ (8.3)**	**$ (15.7)**	**$ (18.3)**

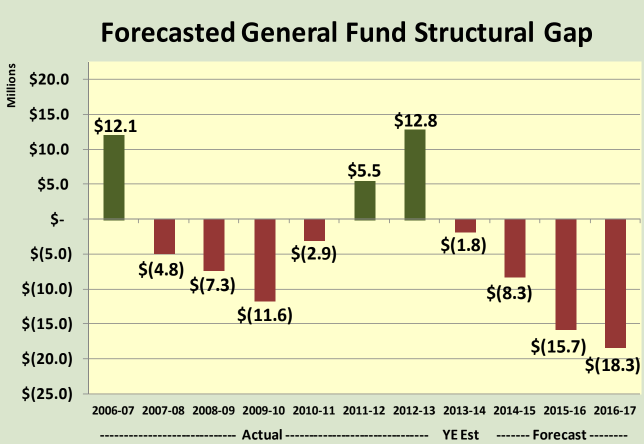
Note: Totals may not add due to rounding; dollars in millions.

[1]Year-end Estimate and Forecast totals exclude contingencies.

Data Source: AMS Advantage Performance Budgeting system, FSQs for General Fund "Current Year Budget" and "Three Year Forecast w/Prior Yr Actuals" recession. Based on the Board's oversight and strategic policies, and the ongoing cost-saving efforts of all departments, the County followed with another year of structural balance, ending FY 2012-13 with a general fund operating surplus of $12.8 million.

Monterey County's ability to retain fiscal balance reflects collaborative strategies and fiscal sacrifices across all departments. Through the difficult journey out of the nationwide fiscal decline, departments have adopted a much stronger culture of everyday diligence and spending restraint even while striving to meet changing business needs and address unplanned and emerging issues. Understanding that most County functions lack adequate fiscal resources to regain any levels of budgetary flexibility that may have existed prior to the onset of the Great Recession, it is no small task that departments continue to successfully engage in these efforts.

As indicated below and in the preceding graph on the front page of this report, challenges to the County's ability to maintain current service levels continue in the coming years, with annual expenditures projected to exceed forecasted revenues. Based on departmental forecasts, FY 2014-15 shows a deficit of $8.3 million between spending needs and available funding. The gap expands to $15.7 million in FY 2015-16 and $18.3 million in FY 2016-17.



Note: Year-end Estimate and Three-Year Forecast totals exclude Contingencies.

Data Source: AMS Advantage Performance Budgeting system, FSQs for Gen'l Fund "Current Year Budget" and "Three Year Forecast w/Prior Year Actuals"

Forecast totals are developed based on current year statutes, policies, operations, and authorized positions. Forecast totals for salary and benefits expenditures include increased costs for employee healthcare insurance and PERS retirement, and known increases related to approved employee group salary increases, pending step increases for existing staff, and related salary-driven costs for PERS Retirement, FICA, and Medicare. Changes in revenue are based on the most recent financial data and available information about federal and state funding levels, and Board approved changes in fees and service charges.

Though Monterey County ended FY 2012-13 with the healthiest fund balance since FY 2005-06, current forecast results indicate that adoption of a FY 2014-15 balanced budget will require in-depth analysis and collaboration between all County functions to ensure that recommended funding is aligned with organizational priorities as set forth by statute, existing codes and policies, and Board-adopted Strategic Initiatives.

This forecast highlights the importance of maintaining a countywide culture of spending restraint. Even with projections for steady revenue growth, cost increases continue to outpace the County's ability to fund them. It is prudent to assume that this trend will be the norm well into the future. It is within this context that County departments are now proceeding with development of their FY 2014-15 baseline budget requests.

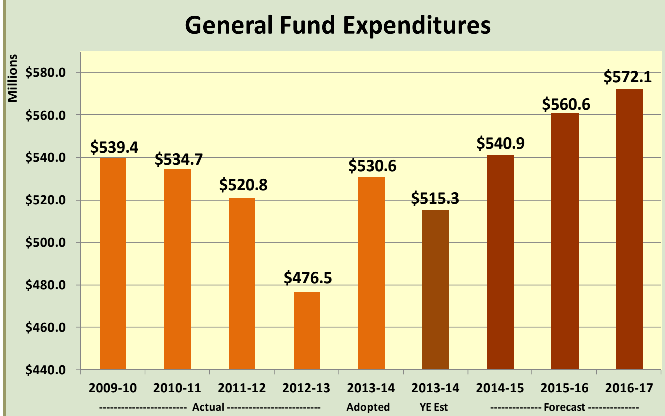
General Fund

The general fund is the County's largest fund, and supports basic governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The FY 2013-14 Adopted Budget includes appropriations of $530.6 million. This total is $54.2 million (11.4%) higher than FY 2012-13 actual expenditures. A large portion of this growth is related to the realignment of former State programs to local government through adoption of AB 118 (Chapter 40, Statutes of 2011) in FY 2011-12. California's realignment revised and expanded certain health and social services responsibilities to counties. Likewise, adoption of AB 109 (Chapter 5, Statutes of 2011) realigned responsibilities for certain lower level offenders, adult parolees and juvenile offenders from the state to local jurisdictions. In 2012, California voters approved a ballot measure to protect revenues associated with the realigned programs. There is remaining uncertainty that these revenues will be sufficient to support the increased local responsibilities.

As part of its realignment of responsibilities to local government, the state required a new fund for behavioral health programs. To implement this requirement, the County transferred $65.2 million in combined existing and new funding for behavioral health programs into the new fund in FY 2012-13. A number of graphs in subsequent sections of this report show the results of the transfer as a reduction in General Fund expenditures and revenues beginning in that year.

General Fund Expenditures

Compared to the FY 2013-14 Adopted Budget, the forecast of $540.9 million in expenditures in FY 2014-15 reflects a reasonable increase of $10.3 million (1.9%). Measured against the year-end estimated total for FY 2013-14, however, costs in FY 2014-15 will increase by $25.6 million (5.0%). In FY 2015-16, expenditures increase another $19.7 million (3.6%) to $560.6 million, followed by an increase of $11.5 million (2.0%) in FY 2016-17.



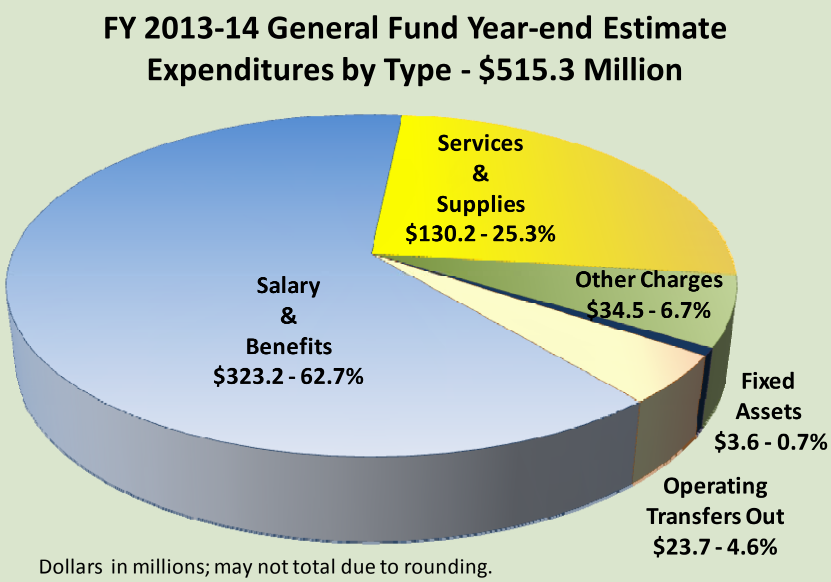
Note: Year-end Estimate and Three-Year Forecast totals exclude Contingencies.

Data Source: AMS Advantage Performance Budgeting system, FSQs for Gen'l Fund "Current Year Budget" and "Three Year Forecast w/Prior Year Actuals"

The largest portion of the estimated cost reduction in the current year is related to departments holding positions vacant in response to lower than anticipated revenues. Factors driving costs upward in forecast years include departmental

Components of General Fund Expenditures

At $323.2 million, almost two-thirds of general fund expenditures are related to costs for staffing the County's diversity of programs and services. Costs for services and supplies include rent, maintenance, utilities, fuel, insurance, contract requirements, internal services, and various other business needs. "Other Charges" expenditures are mostly state and federal aid/social service payments. Fixed Assets include charges for such items as equipment, hardware, and vehicles, and Operating Transfers Out provide pass-through funding to other agencies and Funds.



Dollars in millions; may not total due to rounding.

assumptions to fill vacant positions, approved salary increases and related salary–driven costs, and assumptions for retirement and health insurance cost increases.

Departmental forecasts include costs for bargaining group MOU changes approved in the current year. Approved changes for most employee groups include a current year salary increase of 3.5% effective in November, 2013. This increase was negotiated in exchange for an agreement that employees pay the full "employee share" of PERS retirement costs, also valued at 3.5% of base earned salary, formerly covered by the County. Effective on July 1, 2014, most employee groups will receive another 2.0% salary increase, followed by 3.0% in FY 2015-16, the final year of approved agreements. The annual cumulative cost of these increases is reflected in the chart below. These cost changes are included in forecast totals prepared by all County departments.

Countywide Costs for Approved Salary Changes

Fiscal Year	Salaries	PERS Retirement	FICA	Total
FY 2013-14	$ 9,169,005	$ (5,590,443)	$ 597,986	**$ 4,176,548**
FY 2014-15	4,929,427	612,774	346,511	**5,888,712**
FY 2015-16	7,783,782	1,000,311	533,668	**9,317,761**
Total:	**$ 21,882,214**	**$ (3,977,358)**	**$ 1,478,165**	**$ 19,383,021**

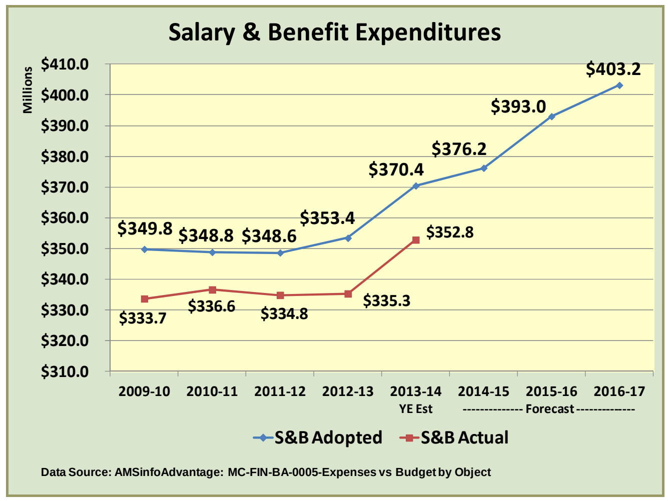
Totals include all employee group approved changes.
Assumes like changes to unrepresented employee groups in same years.

General Fund Cost Challenges

General Fund fiscal resources continue to be constrained by growing costs for retirement, health care premiums, and requirements for prefunding retiree health care. Additionally, departmental operational capacity is threatened by rising costs for General Liability Insurance, County infrastructure and facility needs, and the critical need for replacement and/or upgrades to information technology systems.

- **Filling Vacancies:** By far the biggest cost driver in forecast years is an assumption by departments that vacant positions will be filled. This has been a recurring scenario in recent forecasts. As depicted in the following graph, actual salary and benefits expenditures at year-end are typically well below approved budget levels.

The difference between adopted salary and benefits budgets and actual year-end expenditures has ranged from a low of $12.2 million (3.5%) in FY 2010-11, to a high of $18.1 million (5.1%) at year-end FY 2012-13. Departmental year-end estimates for the current year reflect $17.6 million (4.8%) in savings compared to the Adopted Budget.



NOTE: *To preserve continuity for purposes of this analysis, the annual totals reflected in this graphic include former general fund behavioral health costs, which were extracted into a separate fund beginning in FY 2012-13.*

In recent years, departments have pushed themselves to "do more with less," in ongoing efforts to control costs. Many departments continue to hold positions vacant in response to lower than anticipated revenues and/or to cover expenses for unplanned and unbudgeted issues such as aging technology and other equipment or service needs. While these efforts over time have most certainly helped departments to more thoroughly define where opportunities may exist for improved efficiencies, this method for maintaining budget balance creates growing difficulties for departments on a number of levels. It is reasonable to assume that increased pressures to fill positions in response to growing service demands combined with potential "burn-out" of existing staff as they work to cover the job requirements of unfilled positions will at some point make "balancing budgets with vacancies" unsustainable.

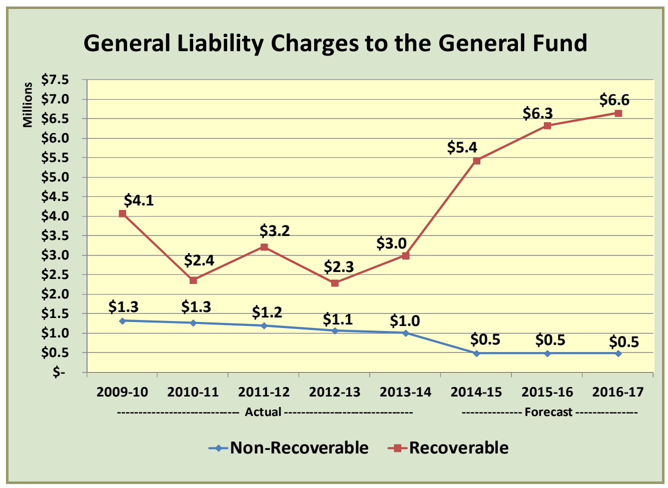
- **General Liability Insurance:** Across the State and the nation, public entities spend millions on lawsuits each year, and Monterey County is no exception. Monterey County self-insures its general liability fund with a total aggregate limit (inclusive of excess insurance) of $150 million. In addition to adhering to accounting standards, specific policies and procedures apply when a County is self-insured. The Governmental Accounting Standards Board (GASB) requires the County to record a liability on its financial statements for the cost of "ultimate reasonable resolution" associated with all reported claims and anticipated claims. The County additionally shall maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.[1]

General Liability charges are broken out as "Recoverable" and "Non-recoverable" for purposes of cost recovery for County programs such as Child Support Services and most Health and Social Service functions, which receive reimbursements from federal and state sources. "Non-recoverable" charges are specifically related to the Pajaro settlement and previous Lakes settlements, and do not qualify as reimbursable expenses from these sources. Fiscal year 2013-14 is the final year for charges related to the Pajaro settlement.

Countywide, "Recoverable" General Liability insurance charges reflect an increase of 89.2% in FY 2014-15, rising from a cost of $4.2 million in the current year to $7.8 million. The countywide increase totals $3.8 million. The escalation in costs is based on a $1.0 million increase in "severity of losses," $0.6 million increase in countywide overhead, and an increase of $2.1 million to rebuild reserves due to a current deficit position resulting from liability costs consuming available assets.[2]

Departments have been notified that charges are expected to increase by another 16.6% to $9.3 million in FY 2015-16, and by 5.0%, totaling $9.8 million in FY 2016-17. Related cost increases are included in expenditures totals in each of the forecast years.

General Fund Impacts: General Fund departments experienced an overall 18.9% increase for general liability charges in FY 2013-14, with costs growing from $3.4 million in FY 2012-13 to $4.0 million. The total rises by 47.8% to $5.9 million in FY 2014-15. Combined estimated costs for both recoverable and non-recoverable charges in FY 2015-16 and FY 2016-17 grow to $6.8 million and $7.1 million respectively.



Based on the methodology for distributing general liability charges to County functions, individual impacts to departments vary widely. It is important to note that in a number of cases, estimated FY 2014-15 General Liability cost increases to individual County departments could require reductions in existing service levels in order to balance costs within currently assumed available levels of General Fund Contribution (GFC).

It is well understood that litigation and related costs impact governmental finances across

[1] Monterey County Risk Management Office
[2] Ibid

the nation. At the current rate of growth, Monterey County's general liability costs pose a serious threat to future year operational capacity. This issue requires engaged partnership between all County departments and risk managers to understand and negotiate through risk challenges and to develop long-term solutions focused on managing the County's risk factors on an ongoing basis. To provide a more thorough and transparent understanding of the County's general liability and potential future fiscal and operational impacts, the County Administrative Office recommends that the Risk Management Office present an annual report to the Board and its Budget Committee outlining the progress made in meeting funding levels and operational costs and outcomes. This recommendation provides for compliance with Board adopted General Financial Policies for Internal Service Funds, section 10.4. [3]

- **Capital Costs:** The Board of Supervisors has recognized that Monterey County's current and future capital needs far exceed available financing sources. Discussion in the FY 2013-14 Capital Budget Summary *(FY 2013-14 Recommended Budget, p. 651-659)* estimated capital costs at $149.1 million, of which $94.5 million (63.4%) was funded. The Resource Management Agency (RMA) expects to finalize a draft revised Five Year Capital Improvement Plan (CIP) for presentation and consideration by the Board's Capital Improvements Committee (CIC), Budget Committee, and the full Board of Supervisors by the end of March 2014. Current high priority, high cost items include, but are not limited to, design and renovation of the East and West Wings, the Jail Housing Addition, Juvenile Hall replacement, and technology upgrades/replacement. Estimated general fund cost commitments for these projects are as follows:

  ⇒ **East/West Wing Renovation** - $31.0 million (proposed funding through debt financing/annual debt service costs to be determined).

  ⇒ **Jail Housing Addition** - Recent Board action fully funded the County's $8.9 million general fund match requirement for the conditional award of $80.0 million in State funds for the jail housing addition.

  ⇒ **New Juvenile Hall** - Phase I project costs are estimated at $52.4 million, offset by approximately $35.0 million from State grants. Based on pending grant approval, the remaining cost to the County is $17.4 million, including the 25% County match requirement of $12.3 million. Funding proposals previously approved by the Board include covering the County's share of costs through debt financing. Recent information from the State, however, implies that grant approval is partially conditioned on the County's ability to show it has "cash in hand" for its share of costs. Based on this requirement and pending grant deadlines, Monterey County will need to approve funding for at least the $12.3 million match by no later than November 2014. Currently approved funding toward this commitment is approximately $1.1 million.

  ⇒ **Information Technology (IT) Infrastructure Replacement** - To keep up with ongoing and escalating access, security, and obsolescence issues related to Countywide information technology requirements, the Information Technology Department (ITD) is proceeding with replacement of critical phone and IT systems at an estimated cost of $11 million. Proposed replacement costs will be recovered through increased service charges through FY 2019-20. Increased costs in FY 2014-15 total $1.2 million. Billing for the ITD replacement reimbursement will be separate from regularly occurring IT service charges. Because future year charges for capital replacement were still under discussion with department heads when departments were prepar-

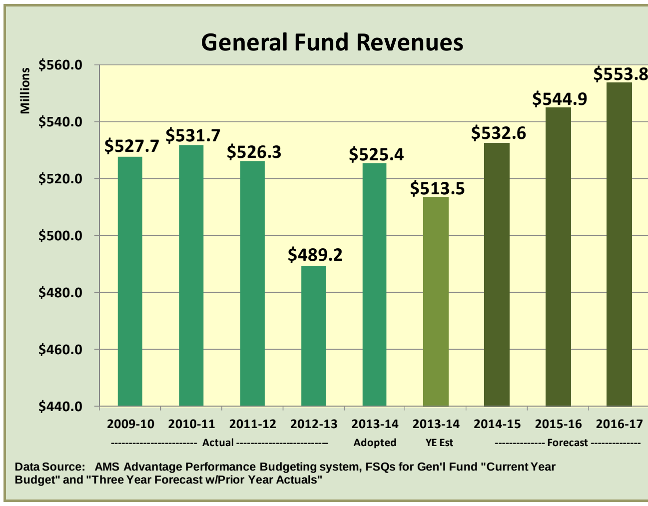
[3] FY 2013-14 Recommended Budget, General Financial Policies, Section 10, p. 74

ing forecast year data, related cost increases are **not** reflected in forecasted expenditures.

⇒ **Enhancements/Upgrades for Enterprise Resource Project (ERP)** - With similar technology issues as those in ITD, the Auditor-Controller's Office is proceeding with proposed upgrades for the Enterprise Resource Program (ERP) system, with costs to be paid through increased charges to service users. Based on a proposed lease option, the related cost increase in FY 2014-15 is about $1.5 million. Because FY 2014-15 charges were not yet distributed to departments, proposed future year costs are **not** reflected in forecasted expenditures.

General Fund Revenues

At an estimated year-end total of $513.5 million, FY 2013-14 revenues reflect a shortfall of $11.9 million (2.3%) compared to budget. As detailed in expenditures discussions in earlier sections of this report, departments show a collective year-end reduction of $15.4 million (2.9%) in expenditures. These results indicate that the majority of departments are taking necessary actions to monitor finances throughout the budget year to ensure that shortfalls in budgeted revenues are offset by reductions in spending.

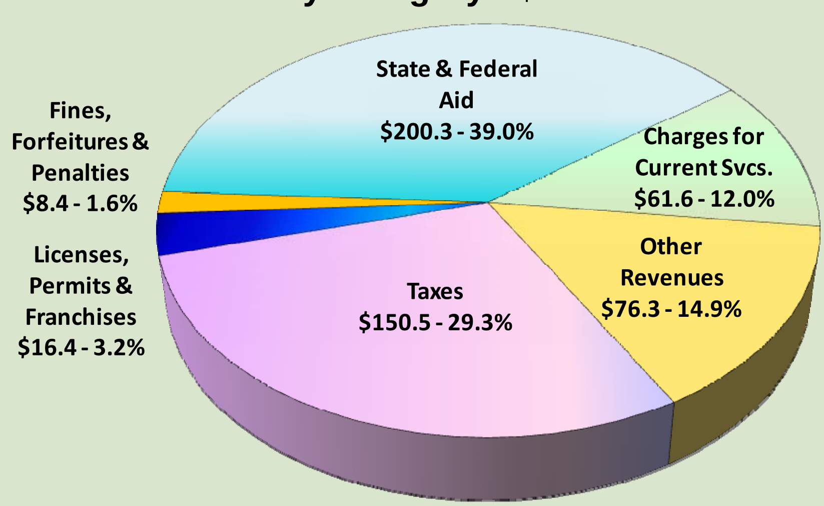


In prior years the general fund received almost half of its revenue from the State, both in the form of direct allocations and from federal sources passed through State departments. The transfer of specific State and federal funds to the new behavioral health fund in FY 2012-13 is reflected as a funding reduction in the General Fund. As shown in the chart below, revenue from governmental sources is estimated at 39.0% at the end of FY 2013-14. Most of the remaining General Fund State and Federal Aid revenue supports mandated public assistance and health programs.

Components of General Fund Revenues

Current year-end revenue is estimated at $513.5 million. State and federal aid totaling $200.3 million provides 54.5% of revenue in the General Fund. At $150.5 million, revenue from taxes is 29.3%. Other revenues, which include loan repayments, reimbursements, other taxable sales, tobacco settlement funds, and other miscellaneous sources, provide 14.9% of the General Fund. Many County programs rely totally on charges for services to offset costs. This revenue is estimated at $61.6 million, 12.0% of total General Fund revenue, followed by licenses, permits and franchises at $16.4 million, or 3.2%, and fines, forfeitures and penalties of $8.4 million.

FY 2013-14 General Fund Year-end Estimated Revenues by Category - $513.5 Million



Dollars in millions; may not total due to rounding.

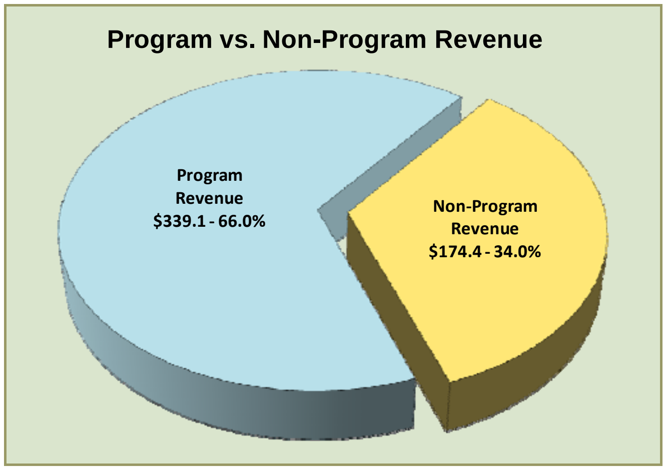
General Fund revenues are projected to grow at modest increments in the forecast years. The projected total in FY 2014-15 is $7.2 million (1.4%) higher than the FY 2013-14 Adopted Budget. Based on departmental projections, revenues will increase by $12.3 million (2.3%) in FY 2015-16, followed by an increase of $8.8 million (1.6%) in FY 2016-17.

It is generally assumed that, barring sudden unanticipated changes in revenue streams, pending budget requests for revenue in the immediately approaching fiscal year will not vary significantly from the current year-end estimate. Though collectively department projections show revenue for FY 2014-15 growing by a modest 1.4% compared to the FY 2013-14 Adopted Budget, this projection assumes revenue will exceed current year-end totals by $19.1 million (3.7%). As departments proceed with development of FY 2014-15 budget requests, it is important that assumed revenue increases receive thorough and prudent review to understand new revenues and other reasons why next year's revenue might increase by $19.1 million or 3.7% over the current year-end estimate even though the current year-end estimate reflects an $11.9 million (2.3%) shortfall compared to budget.

Non-Program Revenue

General fund revenues are categorized as "program" and "non-program" based on the source of and purpose for the funding. Program revenues, primarily from State and federal sources, are typically provided for a statutory purpose and must by law be spent on designated activities, such as health and social services programs. Other program revenues include charges that pay for specific costs related to services provided, or license and permit charges, penalties, and fines and fees that reimburse for costs related to their purpose.

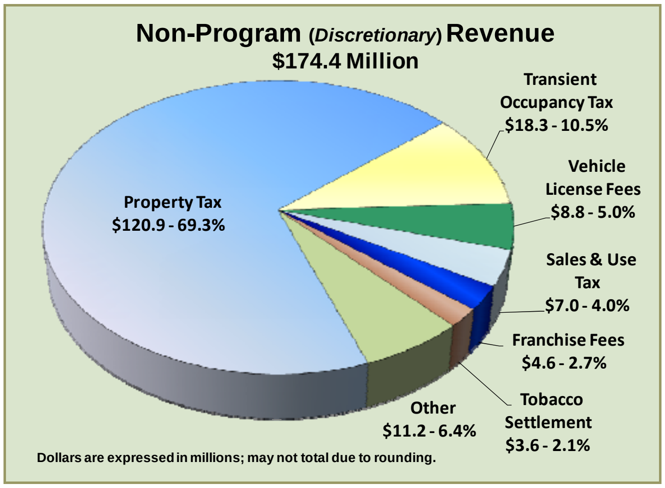
Non-program revenues are the County's only true source of *discretionary* revenues, and include property taxes, transient occupancy tax (TOT), sales and use tax, vehicle license fees (VLF), and a number of other smaller revenue sources that support local government. As discretionary funding, non-program revenues provide the County with some level of flexibility to address local needs and priorities. Monterey County historically designates its discretionary revenues to support public safety and Countywide finance and other administrative functions, and to meet matching requirements as a condition for receiving federal and State assistance.



Year-end estimated non-program revenues total $174.4 million, about one-third of all general fund revenue. Program funding for State and federal mandates, mostly related to health and social services and realigned public safety programs, is estimated to end the year at a total of $339.1 million.

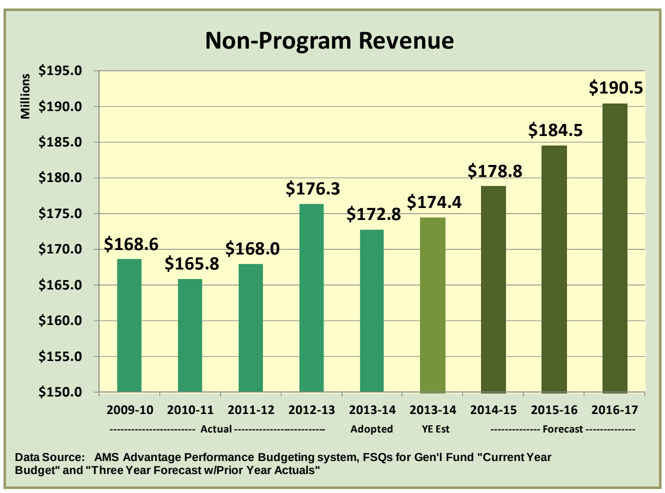
Sources of Non-Program Revenue

The various sources of non-program revenue are reflected by type in the following chart. Property tax revenue comprises the bulk of non-program revenue, with an estimated current year-end total of $120.9 million (69.3%) in 2012-13. Year-end transient occupancy tax (TOT) revenue is estimated at $18.3 million (10.5%). Vehicle license fees (VLF) are expected to end the year at $8.8 million (5.0%). Other significant non-program revenues include sales and use tax of $7.0 million (4.0%), franchise fees of $4.6 million (2.7%), tobacco settlement funds of $3.6 million (2.1%) and other sources totaling $11.2 million (6.4%).



Projections for Non-Program Revenue

Monterey County hit its highest level of non-program revenue in FY 2007-08, with a year-end total of $186.0 million. This was followed by successive and dramatic declines through the next three fiscal years as impacts of the Great Recession rapidly deteriorated previously healthy levels of growth in funding. As illustrated in the chart below, non-program revenue continues slow but steady growth. It should be noted that FY 2012-13 was boosted by receipt of $4.0 million in residual funds following the State's dissolution of Redevelopment agencies. Based on current trends, projections show Monterey County finally recovering to FY 2007-08 levels of non-program revenue by FY 2016-17.



General Fund Department Forecast Details

The final portion of this report provides individual summaries of forecasts as submitted by County departments. Details include each department's year-end estimated and pending year forecasted expenditures, revenues and the resulting financing need, assuming a flat general fund contribution (GFC) in each of the forecast years.

General fund contributions represent the level of discretionary general fund revenue appropriated by the Board each fiscal year. Departments use these revenues to supplement program-specific revenues to finance their operations. Preliminary estimates released to all departments in December 2013 assume total GFC available for appropriation in FY 2014-15 remains at the current year Board approved level for County departments.

Current year GFC includes totals appropriated by the Board as part of the FY 2013-14 Adopted Budget, and Board approved modifications, if any. It is understood that the assumed *flat* GFC is provided for "planning purposes" only.

By comparing departments' forecasted need to a "baseline" amount of available funding (GFC), the resulting forecast summaries will help identify potential areas where service capacity may be threatened by projected changes in expenditures and revenues in immediately pending budget years. Departmental summaries offer a tool to assist the Board of Supervisors with final priority decisions for the distribution of these funds in the upcoming budget process.

Currently Monterey County functions and services are provided through 26 departments or agencies. Two of these, the Monterey County Free Library (MCFL) and Natividad Medical Center (NMC), are budgeted outside the general fund. These and other major County functions supported through other funds, such as Parks Resorts, Roads and Bridges, and Behavioral Health, are discussed at the end of this report. The remaining 24 departments are included in the general fund. Twenty-two of these departments rely on at least some level of financial support through budgeted contributions from the general fund (i.e., GFC). Child Support Services (CSS) and Information Technology (IT) are currently funded entirely without GFC. CSS is historically funded through a combination of federal and state subventions provided as reimbursement for mandated programs and services. The negative GFC reflected for CSS represents recovery of overhead costs from the department's funding sources. Information Technology is self-supporting, offsetting 100% of its costs through charges for services to its customers.

The Water Resources Agency (WRA) is excluded in these discussions. Since the WRA functions and reports through the Board of Supervisors of the WRA, it is responsible for presenting a separate reporting of its current and projected fiscal outlook.

Outlook for General Fund Departments

Based on current year-end details, twelve departments estimate ending FY 2013-14 at or below Board authorized levels of GFC, with a combined surplus of $1.8 million. In contrast, year-end estimates for ten general fund departments show that they may end the year over budget, with a combined deficit of $3.8 million. The end result to the General Fund is a year-end deficit of just below $2.0 million.

In compliance with Board adopted policy, County Administrative Office (CAO) analysts will work closely with those departments identifying current year-end budget over-runs, so that necessary steps are taken to ensure they report through the Board's Budget Committee to end the year with a balanced budget.

Three-Year Forecast: 2013-14 through 2016-17

Agricultural Commissioner - The Agricultural Commissioner estimates it will end the current year within its budgeted GFC. The department relies heavily on revenue from unclaimed gas tax, distributed based on maintenance of effort (MOE) requirements related to the County's annual GFC to the department. When the department's use of GFC does not meet MOE requirements, it is likely to experience reductions in program revenue in the following year. In an effort to maintain annual levels of departmental revenue, the Agricultural Commissioner attempts to balance annual expenditures against these funding dynamics. Revenue is expected to increase, but not at a rate that matches anticipated growth in expenditures. Increasing deficits in the forecast years are due to employee step advances, higher PERS retirement expenditures, and other cost drivers.

Department Code: 2810	Adopted	Yr-end Est	Forecast		
Agricultural Commissioner	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	**$ 9,452,256**	**$ 9,452,256**	**$ 9,849,764**	**$ 10,006,617**	**$ 10,141,690**
% Change - Expenditures		0.0%	4.2%	1.6%	1.3%
REVENUES					
Total Forecasted Revenues	**$ 6,487,571**	**$ 6,487,574**	**$ 6,706,791**	**$ 6,779,551**	**$ 6,787,617**
% Change - Revenues		0.0%	3.4%	1.1%	0.1%
Forecasted Financing Need (GFC)	**$ 2,964,685**	**$ 2,964,682**	**$ 3,142,973**	**$ 3,227,066**	**$ 3,354,073**
Phase I General Fund Contribution		**$ 2,964,685**	**$ 2,964,685**	**$ 2,964,685**	**$ 2,964,685**
Financing Surplus/(Deficit)		**$ 3**	**$ (178,288)**	**$ (262,381)**	**$ (389,388)**
% Surplus/(Deficit) to Expenditures		0.0%	-1.8%	-2.6%	-3.8%

Assessor-County Clerk/Recorder - The Assessor-County Clerk/Recorder estimates it will end the current year with a GFC surplus of $129,014. Expenditures were under budget due to some salary savings as a result of unexpected resignations and vacancies. There has been an increase in revenue for marriage licenses due to the approval of same-sex marriages. Revenues are forecasted to marginally increase in 2014-15 as a result of the increase in the assessment roll. Revenues are projected to remain "flat" in 2015-16 and 2016-17, while expenditures are expected to increase due to cost of living increases, step advances, and rising health rates.

Department Code: 1180	Adopted	Yr-end Est	Forecast		
Assessor-County Clerk/Recorder	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	**$ 7,106,842**	**$ 6,742,063**	**$ 7,323,025**	**$ 7,715,368**	**$ 7,910,247**
% Change - Expenditures		-5.1%	8.6%	5.4%	2.5%
REVENUES					
Total Forecasted Revenues	**$ 3,505,892**	**$ 3,270,127**	**$ 3,725,892**	**$ 3,836,030**	**$ 3,951,675**
% Change - Revenues		-6.7%	13.9%	3.0%	3.0%
Forecasted Financing Need (GFC)	**$ 3,600,950**	**$ 3,471,936**	**$ 3,597,133**	**$ 3,879,338**	**$ 3,958,572**
Phase I General Fund Contribution		**$ 3,600,950**	**$ 3,600,950**	**$ 3,600,950**	**$ 3,600,950**
Financing Surplus/(Deficit)		**$ 129,014**	**$ 3,817**	**$ (278,388)**	**$ (357,622)**
% Surplus/(Deficit) to Expenditures		1.9%	0.1%	-3.6%	-4.5%

Three-Year Forecast: 2013-14 through 2016-17

Auditor-Controller - The Auditor-Controller's Office includes eleven budget units, nine of which are budgeted in the general fund. However, some of the units support countywide non-departmental costs that are not directly Auditor-Controller core operations, such as short term borrowing and the annual County audit. The table summarizes the finances for departmental operations. The Auditor-Controller estimates it will end the fiscal year with a deficit of $50,151. The overage is estimated based on unbudgeted costs for annual leave buyback requests from staff.

Department Code: 1110	Adopted	Yr-end Est	Forecast		
Auditor-Controller	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EXPENDITURES					
Total Forecasted Expenditures	$ 4,794,835	$ 4,868,377	$ 5,164,040	$ 5,517,327	$ 5,668,430
% Change - Expenditures		1.5%	6.1%	6.8%	2.7%
REVENUES					
Total Forecasted Revenues	$ 401,262	$ 424,653	$ 396,613	$ 407,080	$ 414,159
% Change - Revenues		5.8%	-6.6%	2.6%	1.7%
Forecasted Financing Need (GFC)	$ 4,393,573	$ 4,443,724	$ 4,767,427	$ 5,110,247	$ 5,254,271
Phase I General Fund Contribution		$ 4,393,573	$ 4,393,573	$ 4,393,573	$ 4,393,573
Financing Surplus/(Deficit)		$ (50,151)	$ (373,854)	$ (716,674)	$ (860,698)
% Surplus/(Deficit) to Expenditures		-1.0%	-7.2%	-13.0%	-15.2%

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. Based on financial data for the first half of the fiscal year, the Board's budget will end FY 2014-15 within budgeted appropriations. The deficits emerging in the forecast years are driven by cost increases related to earned step advancements, anticipated increases in PERS retirement rates, health insurance premiums, general liability, and Information Technology charges.

Department Code: 1000	Adopted	Yr-end Est	Forecast		
Board of Supervisors	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EXPENDITURES					
Total Forecasted Expenditures	$ 2,842,182	$ 2,841,250	$ 2,919,323	$ 3,060,206	$ 3,105,344
% Change - Expenditures		0.0%	2.7%	4.8%	1.5%
REVENUES					
Total Forecasted Revenues	$ -	$ -	$ -	$ -	$ -
% Change - Revenues		0.0%	0.0%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 2,842,182	$ 2,841,250	$ 2,919,323	$ 3,060,206	$ 3,105,344
Phase I General Fund Contribution		$ 2,842,182	$ 2,842,182	$ 2,842,182	$ 2,842,182
Financing Surplus/(Deficit)		$ 932	$ (77,141)	$ (218,024)	$ (263,162)
% Surplus/(Deficit) to Expenditures		0.0%	-2.6%	-7.1%	-8.5%

Child Support Services - Child Support Services is funded entirely through federal and state subventions for mandated services. The negative GFC represents Countywide Cost Allocation Plan (COWCAP) recovery from these funding sources. The GFC will be adjusted based on final COWCAP numbers provided by the Auditor Controller's Office. The department expects the GFC to be lower in FY 2014-15 based on FY 2013-14 actual COWCAP charges. In FY 2015-16 and FY 2016-17, the department will be requesting funds from the County General Fund if the allocation from the State remains flat.

(see departmental graphic on next page)...

Three-Year Forecast: 2013-14 through 2016-17

Department Code: 2250	Adopted	Yr-end Est	Forecast		
Child Support Services	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 10,694,050	$ 10,926,013	$ 10,896,397	$ 11,347,876	$ 11,570,625
% Change - Expenditures		2.2%	-0.3%	4.1%	2.0%
REVENUES					
Total Forecasted Revenues	$ 11,107,160	$ 11,003,217	$ 11,086,729	$ 11,386,006	$ 11,533,020
% Change - Revenues		-0.9%	0.8%	2.7%	1.3%
Forecasted Financing Need (GFC)	$ (413,110)	$ (77,204)	$ (190,332)	$ (38,130)	$ 37,605
Phase I General Fund Contribution		$ (413,110)	$ (413,110)	$ (413,110)	$ (413,110)
Financing Surplus/(Deficit)		$ (335,906)	$ (222,778)	$ (374,980)	$ (450,715)
% Surplus/(Deficit) to Expenditures		-3.1%	-2.0%	-3.3%	-3.9%

Clerk of the Board - The Clerk of the Board expects to end the fiscal year under its appropriations by $43,447. Expenditures are expected to continue rising in the forecast years due to step advances and benefit cost drivers.

Department Code: 1300	Adopted	Yr-end Est	Forecast		
Clerk of the Board	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 825,954	$ 782,507	$ 803,237	$ 838,741	$ 855,118
% Change - Expenditures		-5.3%	2.6%	4.4%	2.0%
REVENUES					
Total Forecasted Revenues	$ 25,000	$ 25,000	$ 20,000	$ 20,000	$ 20,000
% Change - Revenues		0.0%	-20.0%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 800,954	$ 757,507	$ 783,237	$ 818,741	$ 835,118
Phase I General Fund Contribution		$ 800,954	$ 800,954	$ 800,954	$ 800,954
Financing Surplus/(Deficit)		$ 43,447	$ 17,717	$ (17,787)	$ (34,164)
% Surplus/(Deficit) to Expenditures		5.6%	2.2%	-2.1%	-4.0%

Cooperative Extension - The year-end estimate for Cooperative Extension shows a surplus of $1,031, shows 0% change for FY 2014-15 and reaches a GFC deficit of $42,792 by FY 2016-17.

Department Code: 6210	Adopted	Yr-end Est	Forecast		
Cooperative Extension	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 532,420	$ 511,151	$ 538,686	$ 576,160	$ 585,858
% Change - Expenditures		-4.0%	5.4%	7.0%	1.7%
REVENUES					
Total Forecasted Revenues	$ 120,403	$ 100,165	$ 126,669	$ 130,086	$ 131,049
% Change - Revenues		-16.8%	26.5%	2.7%	0.7%
Forecasted Financing Need (GFC)	$ 412,017	$ 410,986	$ 412,017	$ 446,074	$ 454,809
Phase I General Fund Contribution		$ 412,017	$ 412,017	$ 412,017	$ 412,017
Financing Surplus/(Deficit)		$ 1,031	$ -	$ (34,057)	$ (42,792)
% Surplus/(Deficit) to Expenditures		0.2%	0.0%	-5.9%	-7.3%

Three-Year Forecast: 2013-14 through 2016-17

County Administrative Office - The County Administrative Office (CAO) budget units are structured into two categories based on their function; CAO Departmental and CAO Non-Departmental. The CAO Departmental category is comprised of five budget units in the general fund, which include staff and support specific functions. The units include Administration and Finance, Budget and Analysis, Contracts/Purchasing, Intergovernmental and Legislative Affairs, and Office of Emergency Services. The CAO Non-Departmental category is comprised of ten units, nine of which are within the General Fund and one dedicated fund. These units address budget functions not directly related to CAO operations, including Board approved contributions to outside agencies, Trial Court MOE requirements, operational contingencies, Countywide memberships, medical care services, other financing uses, and non-program revenue. The table summarizes the fiscal activities for the CAO Departmental units. The CAO estimates that the departmental units will end the current year with expenditures of $5.6 million and revenues of $0.3. million. The current GFC of $5.2 million does not reflect recent budget modifications totaling $0.23 million, which result in a modified total GFC of $5.4 million. Based on these modifications, the department will end the year with a surplus of approximately $90,000. Assuming GFC allocations remain at current levels, the CAO projects a deficit of $0.3 million in FY 2014-15, growing to $0.9 million by 2016-17 if mitigating actions are not taken. The deficits are primarily the result of step advances, recently approved salary increases, and increased costs for associated benefits.

Department Code: 1050	Adopted	Yr-end Est	Forecast		
County Administrative Office	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 5,488,465	$ 5,634,908	$ 5,819,781	$ 6,038,623	$ 6,360,156
% Change - Expenditures		2.7%	3.3%	3.8%	5.3%
REVENUES					
Total Forecasted Revenues	$ 303,833	$ 308,000	$ 308,000	$ 308,000	$ 308,000
% Change - Revenues		1.4%	0.0%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 5,184,632	$ 5,326,908	$ 5,511,781	$ 5,730,623	$ 6,052,156
Phase I General Fund Contribution		$ 5,184,632	$ 5,184,632	$ 5,184,632	$ 5,184,632
Financing Surplus/(Deficit)		$ (142,276)	$ (327,149)	$ (545,991)	$ (867,524)
% Surplus/(Deficit) to Expenditures		-2.5%	-5.6%	-9.0%	-13.6%

County Counsel - County Counsel estimates it will end the current year with $3.3 million in expenditures and $417,470 in revenues, resulting in a year-end use of GFC total of $2.8 million. These results would produce an end-of-the-year surplus of $513,356. A deficit is projected for the third forecast year as a result of higher salary and benefit costs (employee step advances, rising PERS contribution rates, etc.).

Department Code: 1210	Adopted	Yr-end Est	Forecast		
County Counsel	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 3,747,565	$ 3,258,014	$ 3,410,393	$ 3,510,653	$ 4,335,214
% Change - Expenditures		-13.1%	4.7%	2.9%	23.5%
REVENUES					
Total Forecasted Revenues	$ 393,665	$ 417,470	$ 393,665	$ 393,665	$ 393,665
% Change - Revenues		6.0%	-5.7%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 3,353,900	$ 2,840,544	$ 3,016,728	$ 3,116,988	$ 3,941,549
Phase I General Fund Contribution		$ 3,353,900	$ 3,353,900	$ 3,353,900	$ 3,353,900
Financing Surplus/(Deficit)		$ 513,356	$ 337,172	$ 236,912	$ (587,649)
% Surplus/(Deficit) to Expenditures		15.8%	9.9%	6.7%	-13.6%

Three-Year Forecast: 2013-14 through 2016-17

District Attorney - The Office of the District Attorney projects year end expenditures of $19.1 million, revenues of $10.7 million and $8.5 million in use of GFC, resulting in year-end GFC savings of approximately $620,164. The savings is primarily related to salary savings resulting from lengthy recruitment processes to fill vacant positions. The forecast also indicates deficits ranging between $639,134 and $1,103,568 in the forecast years. These deficits are due to an assumption that GFC financing will remain flat through the forecast years, while salaries, benefits, retirement and health care costs are projected to increase.

Department Code: 2240	Adopted	Yr-end Est	Forecast		
District Attorney	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 20,668,524	$ 19,146,426	$ 20,908,724	$ 21,293,141	$ 21,710,549
% Change - Expenditures		-7.4%	9.2%	1.8%	2.0%
REVENUES					
Total Forecasted Revenues	$ 11,591,466	$ 10,689,532	$ 11,192,279	$ 11,372,134	$ 11,529,923
% Change - Revenues		-7.8%	4.7%	1.6%	1.4%
Forecasted Financing Need (GFC)	$ 9,077,058	$ 8,456,894	$ 9,716,445	$ 9,921,007	$ 10,180,626
Phase I General Fund Contribution		$ 9,077,058	$ 9,077,058	$ 9,077,058	$ 9,077,058
Financing Surplus/(Deficit)		$ 620,164	$ (639,387)	$ (843,949)	$ (1,103,568)
% Surplus/(Deficit) to Expenditures		3.2%	-3.1%	-4.0%	-5.1%

Economic Development Department - The Economic Development Department's (EDD) general fund units estimate year-end expenditures of $2.7 million, revenues of $233,715, and $2.4 million in use of GFC. Compared to budgeted GFC, the department would end the year with a small deficit of $7,776. It should be noted that the current year estimates include $214,877 in unbudgeted revenue received from the East Garrison Developer, UCP, as reimbursement for expenditures incurred last fiscal year which has been deposited into EDD's General Fund Unit 8221 . The EDD is preparing to go before the Budget Committee and then the Board of Supervisors to request an increase in revenue and appropriations in order to use these funds to offset a potentially larger deficit than the currently reflected $7,776. EDD experienced temporary vacancies of two positions during the fiscal year. To address workload, departmental expenditures included costs for temporary employee help and other resources. It's anticipated that salary savings will be sufficient to cover the additional expense. EDD projects a deficit emerging in FY 2014-15 mostly attributable to increased salaries, corresponding benefits, the significant increase in General Liability allocations, as well as having to absorb similar cost increases from service departments who pass along the impacts of any cost increases to their customers. Unless other means are taken to offset escalating costs, the increase will impact EDD's ability to maintain existing resources.

Department Code: 1070	Adopted	Yr-end Est	Forecast		
Economic Development	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 2,442,785	$ 2,657,662	$ 2,442,785	$ 2,442,785	$ 2,442,785
% Change - Expenditures		8.8%	-8.1%	0.0%	0.0%
REVENUES					
Total Forecasted Revenues	$ 26,614	$ 233,715	$ 25,377	$ 35,627	$ 25,377
% Change - Revenues		778.2%	-89.1%	40.4%	-28.8%
Forecasted Financing Need (GFC)	$ 2,416,171	$ 2,423,947	$ 2,417,408	$ 2,407,158	$ 2,417,408
Phase I General Fund Contribution		$ 2,416,171	$ 2,416,171	$ 2,416,171	$ 2,416,171
Financing Surplus/(Deficit)		$ (7,776)	$ (1,237)	$ 9,013	$ (1,237)
% Surplus/(Deficit) to Expenditures		-0.3%	-0.1%	0.4%	-0.1%

Three-Year Forecast: 2013-14 through 2016-17

Elections - Elections administers all federal, state, County, and local public elections. Departmental expenditures and revenues vary based on the number of statewide general scheduled and unscheduled special elections in a given year. The Department expects to end the current year within its budgeted GFC. Projected expenditures and revenues reflect estimated charges for one scheduled election in FY 2014-15, two scheduled elections in FY 2015-16 and one scheduled election in FY 2016-17.

Department Code: 1410	Adopted	Yr-end Est	Forecast		
Elections	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	**$ 4,889,543**	**$ 4,878,152**	**$ 4,212,015**	**$ 5,243,497**	**$ 4,539,885**
% Change - Expenditures		-0.2%	-13.7%	24.5%	-13.4%
REVENUES					
Total Forecasted Revenues	**$ 1,255,000**	**$ 1,313,000**	**$ 860,000**	**$ 1,212,500**	**$ 910,000**
% Change - Revenues		4.6%	-34.5%	41.0%	-24.9%
Forecasted Financing Need (GFC)	**$ 3,634,543**	**$ 3,565,152**	**$ 3,352,015**	**$ 4,030,997**	**$ 3,629,885**
Phase I General Fund Contribution		**$ 3,634,543**	**$ 3,634,543**	**$ 3,634,543**	**$ 3,634,543**
Financing Surplus/(Deficit)		**$ 69,391**	**$ 282,528**	**$ (396,454)**	**$ 4,658**
% Surplus/(Deficit) to Expenditures		1.4%	6.7%	-7.6%	0.1%

Emergency Communications - Emergency Communications expects to end the fiscal year within budgeted appropriations. The Department may receive higher-than-budgeted revenues at year-end due to the late receipt of state funding but the amount and timeline is still being negotiated. These funds were earned in FY 2011-12 but will not be received until the current fiscal year, resulting in an unplanned deficit in FY 2011-12 and a corresponding surplus at the end of FY 2013-14.

Recommended general fund contributions for FY 2014-15 will be developed by departmental staff and submitted to the Emergency Communications Users Advisory Council (ECUAC) prior to the budget process. In the meantime, GFC amounts for next fiscal year and the out years of the forecast are reflected as "To Be Determined" amounts. Once the ECUAC has determined its requested funding levels, user agencies (including the County) must consider appropriating these expenditures through their respective Board/City Councils. While the department has projected a status quo budget for operations, the department has forecasted costs of NGEN project extension in the forecast for 2015 and 2016. The Department is working with the County Administrative Office to identify the source of those funds but has presented this cost within the three year forecast to provide visibility of the impact.

Department Code: 1520	Adopted	Yr-end Est	Forecast		
Emergency Communications	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	**$ 10,688,950**	**$ 10,650,419**	**$ 11,999,259**	**$ 12,295,905**	**$ 11,639,997**
% Change - Expenditures		-0.4%	12.7%	2.5%	-5.3%
REVENUES					
Total Forecasted Revenues	**$ 9,360,993**	**$ 9,321,739**	**$ 10,631,800**	**$ 10,911,800**	**$ 10,289,649**
% Change - Revenues		-0.4%	14.1%	2.6%	-5.7%
Forecasted Financing Need (GFC)	**$ 1,327,957**	**$ 1,328,680**	**$ 1,367,459**	**$ 1,384,105**	**$ 1,350,348**
Phase I General Fund Contribution		**$ 1,327,957**	**$ 1,327,957**	**$ 1,327,957**	**$ 1,327,957**
Financing Surplus/(Deficit)		**$ (723)**	**$ (39,502)**	**$ (56,148)**	**$ (22,391)**
% Surplus/(Deficit) to Expenditures		0.0%	-0.3%	-0.5%	-0.2%

Three-Year Forecast: 2013-14 through 2016-17

Equal Opportunity Office - The Equal Opportunity Office (EOO) expects to end Fiscal Year 2013-14 within budget; and with no additional impact to GFC. The forecasted increases in FY2014-15, FY 2015-16 and FY 2016-17 are due to the increase in salary of the Equal Opportunity Officer and other payroll related charges.

Department Code: 1080	Adopted	Yr-end Est	Forecast		
Equal Opportunity Office	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 747,050	$ 747,050	$ 747,752	$ 774,654	$ 786,650
% Change - Expenditures		0.0%	0.1%	3.6%	1.5%
REVENUES					
Total Forecasted Revenues	$ -	$ -	$ -	$ -	$ -
% Change - Revenues		0.0%	0.0%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 747,050	$ 747,050	$ 747,752	$ 774,654	$ 786,650
Phase I General Fund Contribution		$ 747,050	$ 747,050	$ 747,050	$ 747,050
Financing Surplus/(Deficit)		$ -	$ (702)	$ (27,604)	$ (39,600)
% Surplus/(Deficit) to Expenditures		0.0%	-0.1%	-3.6%	-5.0%

Health - The Health Department provides a wide array of services including but not limited to animal services, behavioral health, public health, clinic services and environmental health. The Department estimates year-end expenditures of $65.0 million, revenues of $61.1 million, and a financing need of $3.86 million at year-end, exceeding the adopted GFC by $112,993. The increased cost is due to increased County Counsel charges for the Public Guardian unit. The Department is anticipating a need for increased General Fund Contribution in the three outlying years due to negotiated salary increases.

Department Code: 4000	Adopted	Yr-end Est	Forecast		
Health	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 70,675,699	$ 64,992,934	$ 70,238,527	$ 71,431,821	$ 71,903,898
% Change - Expenditures		-8.0%	8.1%	1.7%	0.7%
REVENUES					
Total Forecasted Revenues	$ 66,925,875	$ 61,130,117	$ 66,037,742	$ 66,993,691	$ 67,398,579
% Change - Revenues		-8.7%	8.0%	1.4%	0.6%
Forecasted Financing Need (GFC)	$ 3,749,824	$ 3,862,817	$ 4,200,785	$ 4,438,130	$ 4,505,319
Phase I General Fund Contribution		$ 3,749,824	$ 3,749,824	$ 3,749,824	$ 3,749,824
Financing Surplus/(Deficit)		$ (112,993)	$ (450,961)	$ (688,306)	$ (755,495)
% Surplus/(Deficit) to Expenditures		-0.2%	-0.6%	-1.0%	-1.1%

Human Resources – The Human Resources Department projects year-end expenditures of $3.2 million and ending general fund contributions of $3.2 million. The forecasted deficits are due to a projected 3% increase (per year) in the cost of Services and Supplies, negotiated pay increases, and increased benefit expenditures.

(see departmental graphic on next page)…

Three-Year Forecast: 2013-14 through 2016-17

Department Code: 1060	Adopted	Yr-end Est	Forecast		
Human Resources Department	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EXPENDITURES					
Total Forecasted Expenditures	$ 3,227,471	$ 3,225,121	$ 3,518,741	$ 3,633,051	$ 3,644,593
% Change - Expenditures		-0.1%	9.1%	3.2%	0.3%
REVENUES					
Total Forecasted Revenues	$ 2,350	$ -	$ (15,000)	$ (15,000)	$ (15,000)
% Change - Revenues		-100.0%	#DIV/0!	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 3,225,121	$ 3,225,121	$ 3,533,741	$ 3,648,051	$ 3,659,593
Phase I General Fund Contribution		$ 3,225,121	$ 3,225,121	$ 3,225,121	$ 3,225,121
Financing Surplus/(Deficit)		$ -	$ (308,620)	$ (422,930)	$ (434,472)
% Surplus/(Deficit) to Expenditures		0.0%	-8.8%	-11.6%	-11.9%

Information Technology - Information Technology currently includes three general fund units, providing information technology, records retention, and telecommunication services to County departments and a number of outside agencies. As a net zero cost general fund department, Information Technology recovers all departmental costs through charges for the services it provides. As such, expenditures should not exceed available funding. The department forecast presented in this report is provided as a "place-holder." Information Technology will reorganize business units beginning in FY 2014-15, not currently accommodated in the forecast model. The department is preparing a stand-alone report to the Budget Committee that more appropriately represents its future year expenditures and cost recovery plans based on anticipated organizational changes.

Department Code: 1930	Adopted	Yr-end Est	Forecast		
Information Technology	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EXPENDITURES					
Expenditures	$ 19,289,966	$ 18,885,602	$ 19,289,966	$ 19,289,966	$ 19,289,966
Inter/Intra Fund Reimbursements	$(18,085,806)	$ (17,681,442)	$ (18,085,806)	$ (18,085,806)	$ (18,085,806)
Total Forecasted Expenditures	$ 1,204,160	$ 1,204,160	$ 1,204,160	$ 1,204,160	$ 1,204,160
% Change - Expenditures		0.0%	0.0%	0.0%	0.0%
REVENUES					
Total Forecasted Revenues	$ 1,204,160	$ 1,204,160	$ 1,204,160	$ 1,204,160	$ 1,204,160
% Change - Revenues		0.0%	0.0%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ -	$ -	$ -	$ -	$ -
Phase I General Fund Contribution		$ -	$ -	$ -	$ -
Financing Surplus/(Deficit)		$ -	$ -	$ -	$ -
% Surplus/(Deficit) to Expenditures		0.0%	0.0%	0.0%	0.0%

Parks - The Parks Department continues to seek opportunities to increase visitation numbers and improve collections of day-use fees. Current year expenditures and revenues are tracking with budgeted levels. The Department projects a potential deficit over the three-year forecast due primarily to increased cost of General Liability allocations and employee salary and benefits.

(see departmental graphic on next page)…

Three-Year Forecast: 2013-14 through 2016-17

Department Code: 7500	Adopted	Yr-end Est	Forecast		
Parks	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 4,513,188	$ 4,500,778	$ 4,889,381	$ 5,063,999	$ 5,195,972
% Change - Expenditures		-0.3%	8.6%	3.6%	2.6%
REVENUES					
Total Forecasted Revenues	$ 2,888,250	$ 2,876,250	$ 2,932,798	$ 3,011,948	$ 3,091,478
% Change - Revenues		-0.4%	2.0%	2.7%	2.6%
Forecasted Financing Need (GFC)	$ 1,624,938	$ 1,624,528	$ 1,956,583	$ 2,052,051	$ 2,104,494
Phase I General Fund Contribution		$ 1,624,938	$ 1,624,938	$ 1,624,938	$ 1,624,938
Financing Surplus/(Deficit)		$ 410	$ (331,645)	$ (427,113)	$ (479,556)
% Surplus/(Deficit) to Expenditures		0.0%	-6.8%	-8.4%	-9.2%

Probation - The Probation Department continues to manage within its general fund contribution budget. Year-end revenue reflects a shortfall primarily due to a federal statewide hold on the 1st Quarter Title IV-E federal claim, estimated at $499,221 for Monterey County. The department is working with the California Department of Social Services(CDSS) to implement a statewide action plan for the current year 1st Quarter Title IV-E reimbursement. Deficits projected in the forecast years are primarily related to MOU approved salary and benefit increases. The deficits assume vacancies are filled and also reflect higher costs related to employee health insurance, PERS and general liability insurance.

Department Code: 2550	Adopted	Yr-end Est	Forecast		
Probation	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 39,508,061	$ 39,248,771	$ 41,857,474	$ 44,416,593	$ 45,512,559
% Change - Expenditures		-0.7%	6.6%	6.1%	2.5%
REVENUES					
Total Forecasted Revenues	$ 22,787,535	$ 22,029,024	$ 22,999,814	$ 23,078,679	$ 23,162,596
% Change - Revenues		-3.3%	4.4%	0.3%	0.4%
Forecasted Financing Need (GFC)	$ 16,720,526	$ 17,219,747	$ 18,857,660	$ 21,337,914	$ 22,349,963
Phase I General Fund Contribution		$ 16,720,526	$ 16,720,526	$ 16,720,526	$ 16,720,526
Financing Surplus/(Deficit)		$ (499,221)	$ (2,137,134)	$ (4,617,388)	$ (5,629,437)
% Surplus/(Deficit) to Expenditures		-1.3%	-5.1%	-10.4%	-12.4%

Public Defender - The Public Defender's function and therefore its budget is largely dependent on the number and type of cases assigned for representation by the Superior Court. The Public Defender also has statutory authority to represent inmates regarding conditions of punishment and confinement. The Department estimates year end expenditures of $9.9 million, revenue of $311,000 and ending general fund contributions of $9.6 million. Compared to budget, the department would end the current year $453,378 over its currently authorized GFC. Numerous homicides and other unanticipated prosecutions have been assigned which will require significant resource demands. There are currently six pending capital punishment cases represented by the ADO or Panel Attorneys.

Larger deficits are projected in the forecast years due to workload demands arising from increasingly serious cases being filed, not just the raw numbers of cases. Additional expenditures include earned step advances, promotions and retirement costs, increases in employee health care costs and infra-structure and service costs. Lastly, the County has asked for a significant benchmark study for comparative purposes with other similarly situated counties. This will provide County funding authorities with additional important data regarding the department's resource needs.

Department Code: 2270	Adopted	Yr-end Est	Forecast		
Public Defender	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 9,477,815	$ 9,931,193	$ 10,243,190	$ 10,515,852	$ 10,715,808
% Change - Expenditures		4.8%	3.1%	2.7%	1.9%
REVENUES					
Total Forecasted Revenues	$ 311,128	$ 311,128	$ 312,000	$ 312,000	$ 312,000
% Change - Revenues		0.0%	0.3%	0.0%	0.0%
Forecasted Financing Need (GFC)	$ 9,166,687	$ 9,620,065	$ 9,931,190	$ 10,203,852	$ 10,403,808
Phase I General Fund Contribution		$ 9,166,687	$ 9,166,687	$ 9,166,687	$ 9,166,687
Financing Surplus/(Deficit)		$ (453,378)	$ (764,503)	$ (1,037,165)	$ (1,237,121)
% Surplus/(Deficit) to Expenditures		-4.6%	-7.5%	-9.9%	-11.5%

Resource Management Agency (General Fund) - The FY 2013-14 year-end estimate for the Resource Management Agency (RMA) reflects a deficit of $415,200. RMA plans to return to the Board to request an increase in appropriations and revenues corresponding with the projected increase in revenues. Current year revenue growth reflects an increase in permit activity in Building and Planning, which translates into a higher workload that necessitates an increase in resources. RMA will closely monitor its operations to ensure it manages within the Board approved general fund contribution, modified as necessary. The Agency expects a deficit emerging in FY 2014-15 mostly attributable to increased salaries and corresponding benefits, the significant increase in General Liability charges, and cost impacts from service departments that reflect recovery of similar cost increases through service charges to their customers. Unless other funding sources become available to offset the cost increases either through increased permit fees or general fund allocations, accommodating the magnitude of annual increases will impact the Agency's ability to maintain existing service levels.

Department Code: 3000	Adopted	Yr-end Est	Forecast		
Resource Management Agency	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	$ 19,430,258	$ 20,540,762	$ 21,493,970	$ 22,877,352	$ 23,633,034
% Change - Expenditures		5.7%	4.6%	6.4%	3.3%
REVENUES					
Total Forecasted Revenues	$ 6,272,542	$ 6,967,846	$ 7,087,613	$ 7,396,859	$ 7,465,433
% Change - Revenues		11.1%	1.7%	4.4%	0.9%
Forecasted Financing Need (GFC)	$ 13,157,716	$ 13,572,916	$ 14,406,357	$ 15,480,493	$ 16,167,601
Phase I General Fund Contribution		$ 13,157,716	$ 13,157,716	$ 13,157,716	$ 13,157,716
Financing Surplus/(Deficit)		$ (415,200)	$ (1,248,641)	$ (2,322,777)	$ (3,009,885)
% Surplus/(Deficit) to Expenditures		-2.0%	-5.8%	-10.2%	-12.7%

Sheriff-Coroner - The Sheriff's Office expects to end the current year with $80.4 million in expenditures, $31.3 million in revenues, and general fund contributions of $49.1 million. Compared to budget, the Office estimates that it will exceed budgeted GFC in FY 2013-14 by $1.8 million. Factors contributing to the potential deficit include unbudgeted negotiated pay rate and stipend increases and unbudgeted increases in employer's portion of retirement contribution for Deputy Sheriffs' Association. Additionally, the Office anticipates deficits in the forecast years due to increasing costs such as salaries, General Liability, IT infrastructure, facilities maintenance and fleet maintenance and replacement. In addition retirement and employee health insurance costs are expected to continue to grow.

Department Code: 2300	Adopted	Yr-end Est	Forecast		
Sheriff-Coroner	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EXPENDITURES					
Total Forecasted Expenditures	$ 80,640,407	$ 80,383,679	$ 84,366,842	$ 89,219,106	$ 92,945,563
% Change - Expenditures		-0.3%	5.0%	5.8%	4.2%
REVENUES					
Total Forecasted Revenues	$ 33,290,340	$ 31,259,615	$ 33,933,574	$ 34,380,660	$ 34,178,920
% Change - Revenues		-6.1%	8.6%	1.3%	-0.6%
Forecasted Financing Need (GFC)	$ 47,350,067	$ 49,124,064	$ 50,433,268	$ 54,838,446	$ 58,766,643
Phase I General Fund Contribution		$ 47,350,067	$ 47,350,067	$ 47,350,067	$ 47,350,067
Financing Surplus/(Deficit)		$ (1,773,997)	$ (3,083,201)	$ (7,488,379)	$(11,416,576)
% Surplus/(Deficit) to Expenditures		-2.2%	-3.7%	-8.4%	-12.3%

Social & Employment Services (DSES) - The Department of Social Services (DSS) estimates year-end expenditures of $165.3 million, revenue of $157 million and General Fund Contribution (GFC) of $8.3 million. Although the year-end forecast estimates exceeding budget by $0.35 million, the estimate was completed at a time when only one quarter of fiscal data was available to estimate earned revenues. Due to increased staffing in Medi-Cal and Health Care Reform outreach to implement the Affordable Care Act, more of DSS allocable management and operations costs will be funded by Medi-Cal and not the General Fund. Based on two quarters of fiscal data now available, it appears that this strategy of maximizing effort to implement health reform will result in sufficient savings to Child Welfare to close the deficit and complete the year within budget. The larger deficits projected in the forecasted years are strictly related to mandated entitlement program increases for cost of living adjustments (COLAs) for Foster Care and Adoptions caseload (including probation youth) as well as an annual 3.5% increase in IHSS MOE. Realignment will most likely cover a substantial amount of these costs two years out from when the costs are incurred, assuming the sales tax revenues for the state continues to increase. Given many unknowns in state and federal financing for out years, revenue estimates reflect status quo revenues and do not make assumptions about increases in realignment revenues.

Department Code: 5010	Adopted	Yr-end Est	Forecast		
Department of Social Services	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EXPENDITURES					
Total Forecasted Expenditures	$169,147,822	$165,365,235	$171,922,924	$177,224,374	$181,007,087
% Change - Expenditures		-2.2%	4.0%	3.1%	2.1%
REVENUES					
Total Forecasted Revenues	$161,140,008	$157,006,053	$160,590,070	$163,815,759	$166,580,353
% Change - Revenues		-2.6%	2.3%	2.0%	1.7%
Forecasted Financing Need (GFC)	$ 8,007,814	$ 8,359,182	$ 11,332,854	$ 13,408,615	$ 14,426,734
Phase I General Fund Contribution		$ 8,007,814	$ 8,007,814	$ 8,007,814	$ 8,007,814
Financing Surplus/(Deficit)		$ (351,368)	$ (3,325,040)	$ (5,400,801)	$ (6,418,920)
% Surplus/(Deficit) to Expenditures		-0.2%	-1.9%	-3.0%	-3.5%

Treasurer-Tax Collector - The Treasurer-Tax Collector expects to end FY 2013-14 with a General Fund Contribution surplus of $62,396. This surplus is due primarily to salary savings from temporary position vacancies. Deficits and surpluses in future years assume recently vacated positions will be filled at lower step levels and cost savings due to the implementation of new banking contracts and technological advances. Cost increases result primarily from growth in salaries, health care and retirement costs.

Department Code: 1170	Adopted	Yr-end Est	Forecast		
Treasurer-Tax Collector	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
EXPENDITURES					
Total Forecasted Expenditures	**$ 6,955,776**	**$ 6,826,498**	**$ 6,854,826**	**$ 6,918,433**	**$ 7,064,655**
% Change - Expenditures		-1.9%	0.4%	0.9%	2.1%
REVENUES					
Total Forecasted Revenues	**$ 5,565,092**	**$ 5,498,210**	**$ 5,439,834**	**$ 5,558,063**	**$ 5,682,726**
% Change - Revenues		-1.2%	-1.1%	2.2%	2.2%
Forecasted Financing Need (GFC)	**$ 1,390,684**	**$ 1,328,288**	**$ 1,414,992**	**$ 1,360,370**	**$ 1,381,929**
Phase I General Fund Contribution		**$ 1,390,684**	**$ 1,390,684**	**$ 1,390,684**	**$ 1,390,684**
Financing Surplus/(Deficit)		**$ 62,396**	**$ (24,308)**	**$ 30,314**	**$ 8,755**
% Surplus/(Deficit) to Expenditures		0.9%	-0.4%	0.4%	0.1%

OTHER FUNDS

Natividad Medical Center - Natividad Medical Center (NMC) is a County “Enterprise Fund,” defined as a governmental fund that provides goods and services to the public for a fee, which makes the entity self-supporting. Significant changes are underway in the marketplace and will continue to develop over the next few years as National Healthcare Reform is reshaping the delivery of care. For example, effective January 1, 2014, the Affordable Care Act (ACA) provided access to healthcare insurance for those who could not afford health coverage; and effective January 1, 2015, trauma services will be available at Natividad Medical Center.

- **Volume:** Net patient revenues are expected to experience moderate growth. Growth will be driven by affordable insurance health benefit coverage through the various channels from the Affordable Care Act and local access for trauma services. It is estimated FY 2014 will see a moderate increase of $2.1 million, which is 1.6% higher than the FY 2013-14 Adopted Budget. Net revenues will increase by an annual average of 11% over the next three years, FY 2015 $22.9 million; FY 2016 $22.2 million and FY 2017 $5.9 million.

- **Government Revenues:** Government revenues for FY 2014 is estimated to grow by $3.4 million, which is 9.1% higher than the FY 2013-14 Adopted Budget. FY 2014 to FY 2015 is estimated to decrease by $6.5 million, a 16% decrease as a result of estimated decreases in funding for the Medical Service Program - uninsured, State's Disproportionate Share funding, Provider Fee and Meaningful Use from Information Technology. The forecast for FY 2016 and FY 2017 show an average annual decrease of approximately 8% from State's disproportionate share funding and Information Technology, where FY 2016 and FY 2017 show a $3.4 million and $2.1 million decrease, respectively.

- **Operating/Capital Expenses:** It is estimated for FY 2014, operating expenditures will grow by $4.9 million and capital expenditures will grow an additional $3.6 million with total expenditures increasing by $8.5 million, a 4% increase over the FY 2014 Adopted Budget. The growth will result in an additional $2.9

million of Fund Balance use. Operating expenses are estimated to increase by $11.0 million from FY 2014 to FY 2015, a 9.8% increase in preparation and to implement the Trauma program by January 1, 2015. Expenses in future years will increase at a lower rate of 5.5% ($10.7 million) and 1.1% ($2.2 million) in FY 2016 and FY 2017, respectively as the Trauma program matures. Capital expenditures will similarly see declines in each respective fiscal year in response to full implementation of the Trauma program. An estimated annual average of $15.6 million over the forecasted years will be needed for capital requirements for on-going operations. Additionally, the capital requirement for the Trauma program is estimated at $2.0 million in total.

Net Results: Fiscal years 2014 through 2016 require large expenditures in preparation and implementation of the Trauma program. Expenditures will exceed revenue in FY 2014 by $20.1 million, FY 2015 by $14.7 million and FY 2016 by $5.5 million, and use of Fund Balance will be required. With the estimated growth in revenues and slowing in expenditures, FY 2017 will start to show the investment returns from the Trauma program as revenues will start to exceed expenses.

Department Code: 9600	Adopted	Yr-end Est	Forecast		
Natividad Medical Center	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Net Patient Revenue	$134,787,140	$136,930,121	$159,901,528	$ 182,189,243	$ 188,139,686
Government Revenue	37,749,867	41,189,000	34,662,000	31,262,000	29,162,000
Other Revenue	-	-	-	-	-
Total Revenue	**$172,537,007**	**$178,119,121**	**$194,563,528**	**$213,451,243**	**$ 217,301,686**
Operating Expenditures	$170,667,503	$175,587,845	$192,789,832	$ 203,537,305	$ 205,736,564
Capital Expenditures	19,060,583	22,664,735	16,500,000	15,500,000	10,000,000
Total Expenditures	**$189,728,086**	**$198,252,580**	**$209,289,832**	**$219,037,305**	**$ 215,736,564**
Use of Fund Balance	**$ (17,191,079)**	**$ (20,133,459)**	**$ (14,726,304)**	**$ (5,586,062)**	**$ 1,565,122**

Three-Year Forecast: 2013-14 through 2016-17

Road Fund - The road fund is a special revenue fund established according to state law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects.

The forecast for the road fund reflects a lower fund balance than what was anticipated when the FY 2013-14 baseline budget was submitted. This reduction is related to the Auditor-Controller's change in methodology, reducing the year-end closing period by 30 days. As a result, the current year estimate reflects year-end revenues higher exceeding the originally budgeted level, due to late receipt of FY 2012-13 revenues that were subsequently recognized in FY 2013-14. Expenditures are anticipated to be lower than originally budgeted due to delays in road construction project schedules. In some cases, these delays are attributable to the need to secure funding before proceeding with the project. It should be noted that these road construction projects are primarily funded by federal and state grants, received as reimbursement based on actual qualifying expenditures. Road maintenance activities are funded through the State and Local fuel taxes. Additionally, the County's general fund provides funding to support the Pavement Management Program, as well as the County's Storm Water Management Program.

Potential risks to the fund include macro-economic factors such as fluctuations in the price of or demand for motor fuel and increases in the cost of construction materials such as concrete and asphalt. All of these factors may affect the expenditure side of the forecast as the project activities performed by this fund are largely dependent on these commodities.

The three-year forecast indicates a potential for a structural gap where-in revenues will not offset expenditures. Staff is developing a sustainable work program and strategizing on how best to manage any additional revenue decreases resulting from downward fluctuations in the economy, and potential State and Federal budget reductions or realignment of funding. It is anticipated that the Road Fund may receive additional funds over the next three years from the State RSTP of $300,000 each year. These additional revenues were unknown when the forecasts were developed and therefore are not reflected in the figures below.

Fund 002	**Adopted**	**Yr-end Est**	**Forecast**		
RMA - Public Works/Road Fund	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Beginning Fund Balance	$ 3,401,602	$ 1,083,644	$ 1,232,544	$ (225,611)	$ (1,119,095)
Revenue	28,959,120	29,462,202	30,241,109	31,642,464	31,876,028
Cancellation of Reserves/Desig.	-	-	-	-	-
Total Funding Sources	**$ 32,360,722**	**$ 30,545,846**	**$ 31,473,653**	**$ 31,416,853**	**$ 30,756,933**
Expenditures	$ 32,360,722	$ 29,313,302	$ 31,699,264	$ 32,535,948	$ 33,004,558
Provisions for Reserves/Desig.	-	-	-	-	-
Total Funding Requirements	**$ 32,360,722**	**$ 29,313,302**	**$ 31,699,264**	**$ 32,535,948**	**$ 33,004,558**
Ending Available Fund Balance	**$ -**	**$ 1,232,544**	**$ (225,611)**	**$ (1,119,095)**	**$ (2,247,625)**

Three-Year Forecast: 2013-14 through 2016-17

Monterey County Free Libraries - The Monterey County Free Libraries (MCFL) is a special taxing authority under the County Library Law of 1911, established to provide a network of information centers that serve the diverse communities of Monterey County. As such, the fund's operations are primarily financed through its own share of property tax.

The forecast for the Library Fund indicates that expenses are projected to exceed the fund's dedicated revenue sources, causing the gradual erosion of fund balance each year, resulting in a negative fund balance at the beginning of FY 2015-16. The fund has worked to stabilize expenditures, while seeking other revenues to offset the decline in property tax revenues since the 2007-2009 recession.

On the expenditures side, salaries and benefits represent approximately 65.0% of the Library's total expenditures. Discretionary spending in the Library is a minimal part of the budget; however the department continues to strive to reduce all discretionary expenditures.

With regard to revenues, the department is projecting the property tax revenue decline has ended, with slight annual increases anticipated. The current year-end revenue estimate is $7.1 million. The remaining forecast years project a growth rate of about 3.0%-3.5% over the next three years. Despite anticipated increases in property tax revenues, growth in departmental expenses are outpacing growth in offsetting funding. The department is exploring several grant and various other options to help mitigate this situation.

MCFL has implemented its "Financial Plan" to meet the policies set forth in the Monterey County Financial Policies in regards to financial performance. The plan includes attempting to maintain a positive fund balance, and building reserves and a contingency fund.

Fund 003	**Adopted**	**Yr-end Est**	**Forecast**		
Monterey County Free Libraries	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Beginning Fund Balance	$ 922,933	$ 1,244,110	$ 213,415	$ (555,719)	$ (1,309,473)
Revenue	7,153,402	7,134,402	7,844,771	8,108,813	8,380,798
Cancellation of Reserves/Desig.	-	-	-	-	-
Total Funding Sources	**$ 8,076,335**	**$ 8,378,512**	**$ 8,058,186**	**$ 7,553,094**	**$ 7,071,325**
Expenditures	8,076,335	8,165,097	8,613,905	8,862,567	9,155,438
Provisions for Reserves/Desig.	-	-	-	-	-
Total Funding Requirements	**$ 8,076,335**	**$ 8,165,097**	**$ 8,613,905**	**$ 8,862,567**	**$ 9,155,438**
Ending Available Fund Balance	**$ -**	**$ 213,415**	**$ (555,719)**	**$ (1,309,473)**	**$ (2,084,113)**

Three-Year Forecast: 2013-14 through 2016-17

Behavioral Health - The Behavioral Health Bureau provides mental health and substance abuse services to Monterey County residents. The Mental Health Program, pursuant to Welfare and Institutions Code Section 5600, provides a continuum of County operated and community-based mental health services through various contracts. The program provides a range of inpatient, social rehabilitation, supportive housing, and outpatient services to Monterey County Medi-Cal beneficiaries who meet the State Department of Mental Health's medical necessity definition. Services provided in the Alcohol and Drug Program include residential, transitional housing, perinatal residential, outpatient, prevention, early intervention, narcotic replacement, drinking driver programs, drug court, and drug diversion Penal Code 1000.

The Health Department Behavioral Health Bureau estimates year-end expenditures of $68.6 million, revenues of $64.0 million, and an ending fund balance of $18.05 million. These estimates are in-line with budgeted amounts. The Department is anticipating an increase in use of fund balance in the outlying years mostly due to negotiated salary increases and planned use of reserves for ongoing operations.

Behavioral Health has a strong array of community based culturally competent behavioral health contract providers. However, we are challenged with the development of better access to services, more prevention efforts, and even more efficient use of our resources. We will continue to balance integration and transformation of service delivery with quality behavioral health care.

Fund 023	**Adopted**	**Yr-end Est**	**Forecast**		
Behavioral Health	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Beginning Fund Balance	$ -	$22,682,630	$18,047,457	$13,547,831	$ 7,936,091
Revenue	73,682,510	63,966,257	65,656,883	65,656,883	65,656,883
Cancellation of Reserves/Desig.	-	-	-	-	-
Total Funding Sources	**$73,682,510**	**$86,648,887**	**$83,704,340**	**$79,204,714**	**$ 73,592,974**
Expenditures	73,634,968	68,601,430	70,156,509	71,268,623	71,327,967
Provisions for Reserves/Desig.	-	-	-	-	-
Total Funding Requirements	**$73,634,968**	**$68,601,430**	**$70,156,509**	**$71,268,623**	**$ 71,327,967**
Ending Available Fund Balance	**$ 47,542**	**$18,047,457**	**$13,547,831**	**$ 7,936,091**	**$ 2,265,007**

Three-Year Forecast: 2013-14 through 2016-17

Parks — Lakes Resorts - The Adopted Budget for Parks Resorts Fund 452 includes $8.4 million in appropriations. There was no beginning fund balance to offset the appropriations. The year-end estimate continues to reflect ongoing challenges to Lakes Resorts operations. Year-end expenditures are estimated at $7.2 million which is offset by almost $6.0 million in revenue.

Currently, the Lakes Resorts Enterprise Fund continues to lack sufficient revenues to support expenditures. Recreational patronage at the Lakes Resorts continues to be negatively impacted by California's drought (State of Emergency declared by the Governor on January 17, 2014), significantly impacting the revenue needed for status-quo operations. This is compounded by scheduled releases from the reservoir for agricultural needs in the Salinas Valley.

Projected expenditures in the forecast years reflect negotiated salary increases and benefits changes approved by the Board of Supervisors. Additional expenditure increases for the allocation of General Liability Insurance charges is also impacting future year operational capacity. Projected revenues are based on the replenishment of water to both Lake San Antonio and Lake Nacimiento in future years. The road to recovery over the three-year forecast term will take a combination of actions which are currently being vetted through the County Administrative Office.

Fund 452	**Adopted**	**Yr-end Est**	**Forecast**		
Parks - Lakes Resorts	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Beginning Fund Balance	$ -	$ -	$ -	$ -	$ -
Revenue	8,435,580	5,964,080	5,678,820	6,743,945	7,482,477
Cancellation of Reserves/Desig.	-	-	-	-	-
Total Funding Sources	**$ 8,435,580**	**$ 5,964,080**	**$ 5,678,820**	**$ 6,743,945**	**$ 7,482,477**
Expenditures	$ 8,432,078	$ 7,222,725	$ 6,933,699	$ 7,262,533	$ 7,630,897
Provisions for Reserves/Desig.	-	-	-	-	-
Total Funding Requirements	**$ 8,432,078**	**$ 7,222,725**	**$ 6,933,699**	**$ 7,262,533**	**$ 7,630,897**
Ending Available Fund Balance	**$ 3,502**	**$ (1,258,645)**	**$ (1,254,879)**	**$ (518,588)**	**$ (148,420)**

The Recommended Budget and annual budget reports, including the Budget End of Year Report and Three-Year Forecast are available on the County's website at: *www.co.monterey.ca.us/admin/badivision*