



County of Monterey

Item No.4

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: BC 25-066

May 21, 2025

Introduced: 5/15/2025

Current Status: Agenda Ready

Version: 1

Matter Type: Budget Committee

Receive the Fiscal Year 2025-26 Recommended Budget.

RECOMMENDATION:

It is recommended that the Budget Committee receive the Fiscal Year 2025-26 Recommended Budget.

SUMMARY:

The Fiscal Year (FY) 2025-26 Recommended Budget includes \$2.3 billion in expenditures, offset by revenue of \$2.2 billion and fund balance use of \$69.2 million for all funds, offices/departments and programs. Next fiscal year, appropriations increase \$255.3 million (12.7%) over the current year adopted budget. Total authorized positions of 5,780.9 represent a 116.7 (-2%) decrease from the current year's adopted budget. This spending plan provides funding for 23 offices/departments in the General Fund, as well as programs and services in other major funds including the County's hospital, the Emergency Communications Department, and the Monterey County Free Libraries. The Recommended Budget will be presented to the Board of Supervisors for consideration at the public budget hearings scheduled to commence on May 28, 2025.

DISCUSSION:

In March, the County Administrative Office presented the Financial Forecast, which estimated a deficit of \$43.3 million for FY 2025-26 due to cost pressures, mostly attributed to wage increases stemming from approved labor agreements and backlogged base wage study implementations, rising pension, and health care costs. Additionally, funding gaps emerge due to elimination of one-time funding solutions used in the FY 2024-25 Adopted Budget including \$5.2 million of Unassigned Fund Balance and \$10.4 million from the suspension of the supplemental UAL contribution to fund ongoing costs. Furthermore, some departments will lose revenue specific to their programs, further impacting operations. Although discretionary revenue grows \$11.1 million next fiscal year, cost pressures continue to outpace ongoing resources. Preparing a balanced spending plan for next fiscal year was particularly challenging given the combination of increasing costs and limited revenue growth. Many departments were compelled to reduce service levels to balance expenditures to available financing sources.

Departments submitted baseline budgets for next fiscal year, which communicated what level of operations can be afforded with allocated General Fund Contributions (GFC), if no additional funding is available. As a result of cost pressures and revenue loss for some programs, offices/departments requested augmented funding totaling \$56.4 million in the General Fund including \$8.7 million to restore 49.1 filled positions; \$10.0 million to restore 62 vacant positions; \$11.4 million for 66.5 new

positions; \$21.5 million to continue operating at existing levels; and \$4.8 million for new programs.

This Recommended Budget implements solutions described in detail in the attached Executive Summary. These solutions include \$13.1 million in augmentations in the General Fund and save 50.1 filled positions, leave three vacant unfunded positions, and add nine new positions supported by program revenue. Additionally, other recommended augmentations include funding for critical programs at risk of elimination across the Departments of Social Services, Housing and Community Development, and Public Works, Facilities, and Parks. Funding sources included one-time funding solutions such as the use of reserves to partially fund the contingency appropriation and redirecting Transient Occupancy Tax contributions from the Road Fund and Development Set-Aside (DSA) agencies; both solutions free up resources to fund critical programs and services across county offices and departments that were at risk of being suspended due to the lack of revenue. Additionally, the Recommended Budget incorporates \$1.9 million of new Measure AA funds, a new 1% Transaction and Use Tax in the unincorporated area for appropriate needs.

The FY 2025-26 Recommended Budget for the General Fund includes expenditures of \$1,023.7 million, offset by revenue of \$1,004.5 million and a fund balance use of \$19.2 million next year. The budget supports a workforce of 3,477.2 employees, a reduction of 123.5 positions from the current year adopted budget.

Many needs remain unfunded due to fiscal constraints, with details described in the Executive Summary. The proposed plan begins the reduction of vacant positions across offices and departments to reduce the overall cost and improve structural balance between ongoing expenditures and revenues.

Funding requests in other funds are also discussed in the Executive Summary. The requests for capital infrastructure were not included as part of the Recommended Budget and will be considered during the Budget Hearings.

The County Administrative Office will present an overview of the spending plan, including budget solutions employed to support critical services as well as needs remaining unfunded due to budget constraints at the Budget Hearings, scheduled to commence May 28, 2025.

Expanded details about the Recommended Budget can be found in the attached Executive Summary.

OTHER AGENCY INVOLVEMENT:

Development of the Recommended Budget is a collaborative effort between the County Administrative Office and all County offices/departments.

FINANCING:

This is an informational report and as such there is no fiscal impact that would result from the receipt of this report. The Board of Supervisors will consider this Recommended Budget during its Budget Hearings scheduled for May 28 and May 29, 2025.

Prepared by: Raquel Escorcía, Interim County Budget Director, ext. 5030

Approved by: Deborah Paolinelli, Assistant County Administrative Officer, ext. 5309

Attachments:

Executive Summary - FY 2025-26 Recommended Budget

Overview of Governor's FY 2025-26 Proposed Budget May Revision

CSAC Budget Action Bulletin 2025-26 May Revision Budget Proposal

Presentation - FY 2025-26 Recommended Budget