Budget End of Year Report

Fiscal Year 2024-25

County Administrative Office 12/10/25

Contents

INTRODUCTION

The County Administrative Office is pleased to present the Budget End-of-Year Report (BEYR) for Fiscal Year (FY) 2024-25. The BEYR is prepared to promote financial transparency and responsible financial oversight. The BEYR provides a comprehensive analytical comparison between the County's final modified budget and unaudited year-end results by reviewing the following items:

- The health of the County's finances.
- The major financial developments, issues, and trends shaping the County's finances.
- The management of the budget and the forecasting of revenues and expenditures.
- The management of fund balance, reserves, and long-term liabilities.

The BEYR begins with an analysis of the general fund's countywide performance, followed by a breakdown of departmental performance (also in the general fund), and financial condition of the County's other major funds. The financial data utilized in this analysis is unaudited and subject to revisions in the Annual Comprehensive Financial (ACFR) report prepared by the Auditor-Controller.

The County continues its conservative fiscal management, balancing operational priorities and long-term investments within the parameters of a structurally balanced budget. During the fiscal year, the County invested in the community, promoted public safety, supported health and wellness, and improved infrastructure. However, the County faces significant budgetary challenges resulting from increased salary and benefit costs as described in the cost drivers' section of this report. Due to significant cost pressures experienced, the County has continued to operate with a hiring freeze that has been in place since October 15, 2024. The intent of the freeze was initially established to help the County balance its FY 2024-25 budget in light of approved wage increases that were unbudgeted while minimizing the impact on the County's workforce and on service delivery to the community. The hiring freeze currently in place allows staff to continuously monitor departmental expenditures and review operations to determine appropriate staffing to existing programs or explore new efficiencies.

GENERAL FUND COUNTY-WIDE PERFORMANCE

The general fund supports core governmental functions related to public safety, land use and environment, public budget included $892.3 million in appropriations, matched by an equivalent amount of financing including $873.8 million in revenue and $18.5 million in fund balance. Throughout the year, subsequent modifications increased appropriations by $40.1 million, financed by $10.0 million in additional revenue and remaining in fund balance for one-time expenditures.

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Unassigned Fund Balance (FY 2023-24) [2]	$ 5.2	$ 21.4	$ 32.7
Cancellation - Nonspendable	-	-	1.7
Cancellation - Strategic Reserve	-	-	11.7
Cancellation - Restricted Fund Balance	8.9	12.5	7.5
Cancellation - Assigned Fund Balance	4.4	16.6	15.4
Revenues	873.8	883.8	899.5
Total Financing Sources	**$ 892.3**	**$ 934.2**	**$ 968.5**
Financing Uses:			
Addition - Nonspendable	$ -	$ -	$ 5.2
Addition - Restricted Fund Balance	-	-	21.8
Addition - Strategic Reserve	-	-	31.0
Addition - Assigned Fund Balance[1]	-	-	19.4
Expenditures	892.3	932.4	851.2
Total Financing Uses	**$ 892.3**	**$ 932.4**	**$ 928.6**
Unassigned Fund Balance:	$ -	$ 1.8	$ 39.9
Recommended modifications and FB designations[3]	$ -	$ -	$ (36.9)
Unobligated Unassigned Fund Balance:	**$ -**	**$ 1.8**	**$ 3.0**
Audited Beginning Unassigned Fund Balance[2]	**$ 32.7**		

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

[1] does not include recommended designations to fund balance assignments.

[2] Board approved $5.3 million during FY 2024-25 budget hearings to be used in FY 2024-25. Actual Results include the Year-End audited results for unassigned fund balance of $32.7 million.

[3] Includes $1.8 million classified as unassigned due to timing issues that will be corrected in FY 2025-26 Budget. Also includes $35.1 million in recommended modifications and fund balance designations from available unassigned fund balance.

Actual general fund performance includes expenditures of $851.2 million, revenues of $899.5 million, cancellation of assigned funds of $15.4 million, cancellation of $7.5 million of restricted fund balance, and cancellation of $11.7 million of the Strategic Reserve. Revenues were $48.8 million higher than expenditures in the general fund. Of this, County departments set aside $21.8 million in restricted fund balance to be utilized in future years for specific purposes. Additionally, the County set aside $31.0 million toward the Strategic Reserve including $10.0 million from a prior year surplus, $5.7 million that were funds collected in prior year primarily for natural disaster reimbursements that were in prior year unassigned fund balance, and $6.9 million of reimbursements that were collected in FY 2024-25. Other additions to assignments include $7.0 million for a new assignment for the unbudgeted Measure AA funds collected during the fiscal year.

Revenues were $15.7 million above the final budget mainly due to higher than budget discretionary revenues, partially offset with lower than budget program revenue. Discretionary revenue was $35.5 million above the final budget due to unbudgeted revenue including $7.0 million of Measure AA and $5.4 million in FEMA reimbursements. The Measure AA funds have been designated to an assignment for future use and the unbudgeted FEMA collections were designated to the Strategic Reserve to repay funds. Other improvements to discretionary revenue include $6.2 million in property tax due to continued positive assessments, higher investment income due to continuously high interest rates and cash balances, and unbudgeted miscellaneous revenue that came in from settlements.

Program revenue was $19.8 million below the final budget largely due to lower federal and state revenue for health and public safety programs that were driven by reimbursable activities. Health's revenue $8.9 million below budget primarily due to vacancies in revenue generating positions in public health and clinic services. Public safety departments had revenues that were below budget including Probation ($6.1 million), the Sheriff ($1.9 million), and the District Attorney ($1.1 million), primarily attributed to reduced reimbursable staffing costs for Public Safety Realignment programs.

Year-end expenditures were $81.2 million below the final modified budget. Lower expenditures are predominantly attributed to $40.4 million lower-than budgeted wages, pension, and healthcare costs resulting from vacancies. Other expenditures were below budget including contracted services, health and social services programs including out of home care, and construction and building expenses.

The general fund strategic reserve increased by $10.9 million over the prior year. Departments utilized $11.7 million from the reserve, including $9.2 million to the Road Fund as advanced funding pending reimbursements to complete projects related to winter storms and $1.6 million for advanced funds to continue work on the Pajaro Mansion project pending reimbursements. During FY 24-25, the County was able to add $22.5 million back to the Strategic Reserve, including $6.9 million collected during the fiscal year for primarily FEMA reimbursements and insurance proceeds for repayment to the reserve, $5.7 million was reclassified from unassigned fund balance to the Strategic Reserve for prior year reimbursements, and $10.0 million from prior year surplus (FY 2023-24) that was recorded in FY 24-25 due to timing. The current balance of $68.7 million represents 7.2% of general fund estimated revenues for FY 2025-26. Based on the 10% ($94.8 million) policy target prudently set by your Board, there is a gap of $26.1 million to meet the policy. An additional $4.8 million is recommended to be added, which would bring the balance to $73.5 million.

Summary of Fund Balance Changes	
Assignment Cancellations (sources)	**15,364,277**
Encumbrances	1,282,039
Compensated Absences	2,239,487
ITD Assignment	482,450
Disaster Assistance (moved from SR)	10,835,871
Cannabis Assignment	524,431
Assignment Additions (uses)	**19,404,859**
Measure AA	7,014,858
ITD Assignment	1,554,130
Disaster Assistance (moved from SR)	10,835,871
Net change in Assigned Reserves	**4,040,581**
Strategic Reserve Cancellations (sources)	**11,685,871**
Public Works - Road Projects - winter storms	9,211,629
Public Works - Pajaro Mansion	1,624,242
Water Resources Agency - winter storms	850,000
Strategic Reserve Additions (uses)	**31,032,043**
Addition from FY 23-24 Surplus	10,000,000
Prior Yr. Disaster reimbursements	5,665,083
FY 24-25 Reimbursements for Disasters	6,866,960
FY 24-25 NMC Strategic Reserve	8,500,000
Net Change in Strategic Reserve	**19,346,172**
Net Change in General Fund Strategic Reserve	**10,846,172**

Assigned fund balance increased by a net of $4.0 million, primarily due to an addition of $7.0 million for unbudgeted revenue from Measure AA transaction tax and $1.5 million to the ITD assignment to be utilized for future IT projects.

These additions were offset with planned cancellations from assigned fund balance.

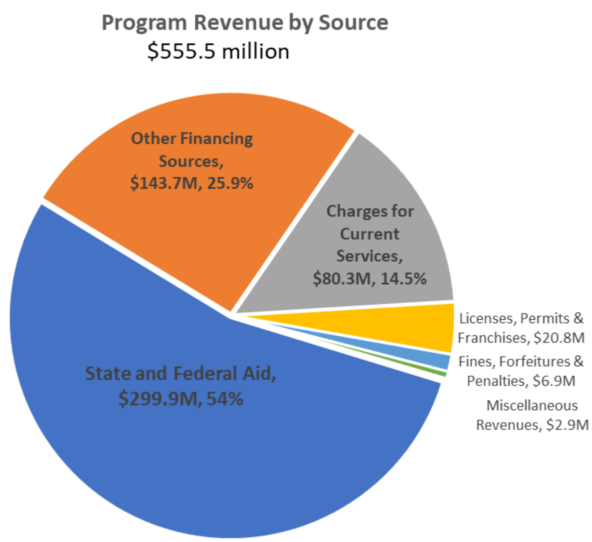
The County Administrative Office estimates ending FY 2024-25 with an unaudited unassigned fund balance of $39.9 million. Factors contributing to the surplus include positive non-program revenue, which after adjusting for funds set aside for assignments as explained above, is a surplus of $23.1 million. General fund departments had GFC savings of $18.8 million due to a combination of salary savings and higher than budgeted program revenue, as explained in the department section of this report.

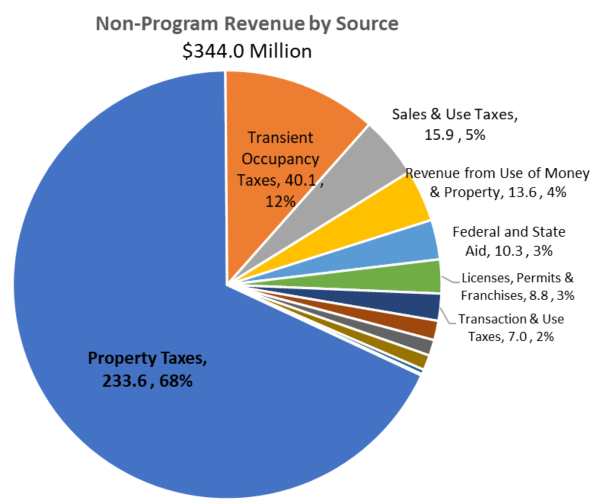
The $39.9 million in unassigned fund balance will require adjustments of $1.8 million due to timing issues that will be corrected in FY 2025-26. Additionally, staff is recommending an additional $35.1 million be designated to address future needs as explained throughout the report, leaving an unobligated balance of $3.0 million.

GENERAL FUND REVENUE

General fund revenue collected in FY 2024-25 totaled $899.5 million and is composed of program and non-program revenue. Program revenue is designated and/or statutorily required for specific purposes within departments while non-program revenue is discretionary. Program revenue accounted for $555.5 million or 62% of general fund revenue. Sources of program revenue include: State and federal aid for various mandated programs such as health and social services; charges for services that are primarily fees collected by health clinics but also encompass assessment and tax collection fees, recording and permit fees; other financing sources such as reimbursement from realignment funds for health, social services, and public safety programs; and revenue from the use of money and property which is primarily investment income from funds held in the treasury pool.

Non-program revenues of accounted for $344.0 million or 38% of the general fund's revenues. These are discretionary funds which are used to address local priorities, leverage federal and State monies, and meet maintenance of effort requirements. Non-program revenue sources are primarily derived from taxes, including property taxes, transient occupancy tax (TOT), cannabis taxes, sales & use taxes, transaction and use taxes, and franchise fees. Revenue from the use of money and property includes investment income from fund balance. The following charts depict the composition of the program and non-program revenues collected during FY 2024-25.

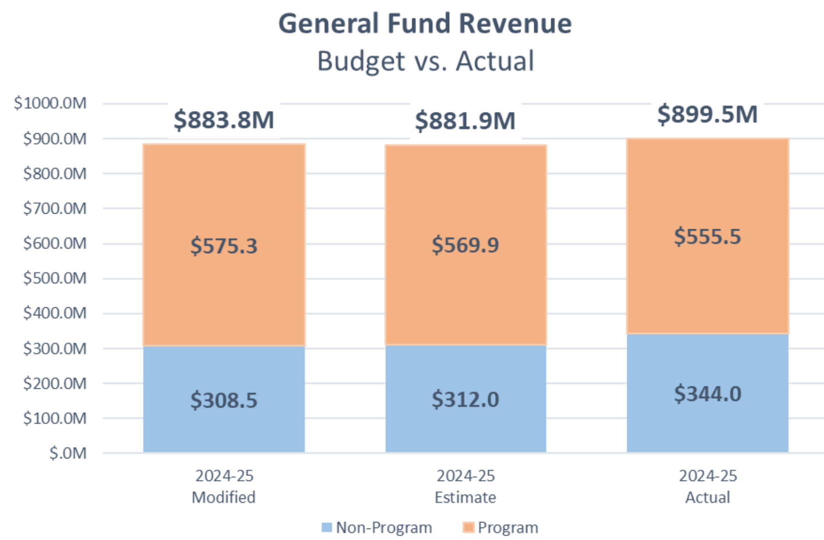




Other revenue sources not named in chart account for 4% and include miscellaneous revenue $5.0M, cannabis tax $3.9M, Fines/Forfeitures $4.1M, charges for current services $1.2M, and other financing sources $0.4M

REVENUE ACTUALS COMPARED AGAINST THE BUDGET

Revenues of $899.5 million were $15.7 million above the final budget. Major variances included higher than budget discretionary non-program revenue by $35.5 million due to higher than anticipated property taxes, a new transaction and use tax approved in the County, investment income, franchises, and federal disaster relief. Offsetting reductions include $19.8 million lower than budget program revenue. Changes over budget to non-program revenue include:



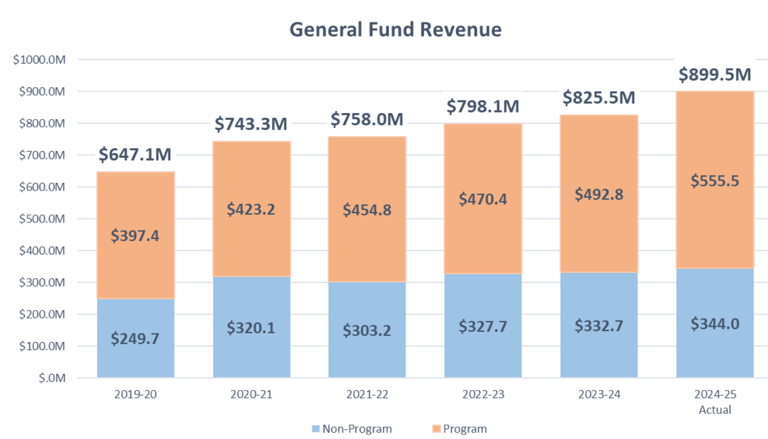
- Property taxes came in $6.2 million higher than budget due growth in assessments.
- Investment income was $9.8 million higher from elevated interest rates, while franchises fees were $1.7 million higher.
- The new Measure AA Tax resulted in unbudgeted $7.0 million in collections.
- TOT was $1.3 million higher than budget at $40.1 million.
- Federal disaster relief of $5.1 million was received but not budgeted due to continued difficulty of collection.
- Revenue sources under budget include a lower tobacco settlement, which was $660k below budget and slightly lower assessment and tax collection fees that were $215k under budget due to lower real estate transactions.

Program revenue came in $19.8 million under budget due to multiple factors including:

- Lower reimbursable costs for health and public safety realignment programs.
  - The Health department's revenue was $8.9 million below budget primarily due to vacancies in revenue generating positions in public health and clinic services.
  - Probation's revenue was $6.1 million below budget primarily from reduced reimbursable staffing costs for Public Safety Realignment programs and lower eligible costs related to State reimbursable programs due to prolonged implementation and lower State Public Safety sales tax.
- Other departments that had lower than budgeted revenue include the Assessor / Clerk Recorder with $1.1 million lower than budget revenue; the Sheriff's Office revenue was $1.9 million lower; and the District Attorney's year-end revenue was $1.1 million lower than budget. Details are included under the department narrative section.

FY 2024-25 REVENUE COMPARED TO THE PRIOR YEAR

Total revenue increased by $74.0 million compared to the prior year, with $62.7 million of the increase attributed to growth in program revenue primarily for Health and Social Services programs and the remaining $11.3 million is attributed to non-program revenue (discretionary).



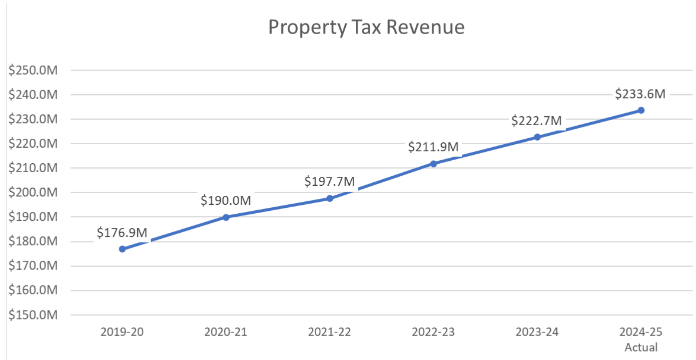
Major reasons for the year-over-year changes in program revenue include:

- $15.9 million in higher Social Service program revenues from State and Federal public assistance programs.

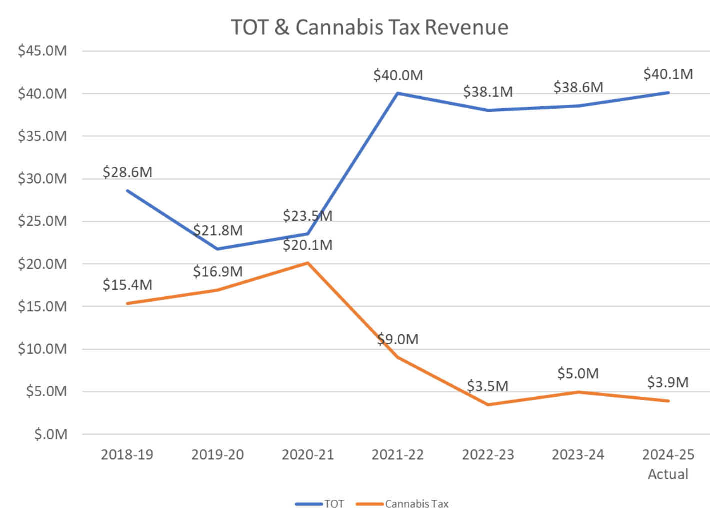
- $7.2 million in higher State Aid related to AB102 Pajaro Recovery grant ($3.0 million increase) and homelessness grants ($3.5 million increase).
- Operating transfers in were $28.9 million higher over the prior year, primarily due to higher transfers from realignment funds for programs in probation ($5.1 million); social services ($7.9 million); health ($6.8 million); and an $8.5 million transfer into the general fund from NMC for their Strategic Reserve.
- $9.1 million higher revenue over the prior year in Health mainly due to higher health fees for health clinics.

Non-program revenue increased $11.3 million, or 3.3% over the prior year. The increase is largely from higher property taxes, a new tax measure, and investment income.

Major year-over-year variations in discretionary revenue include:



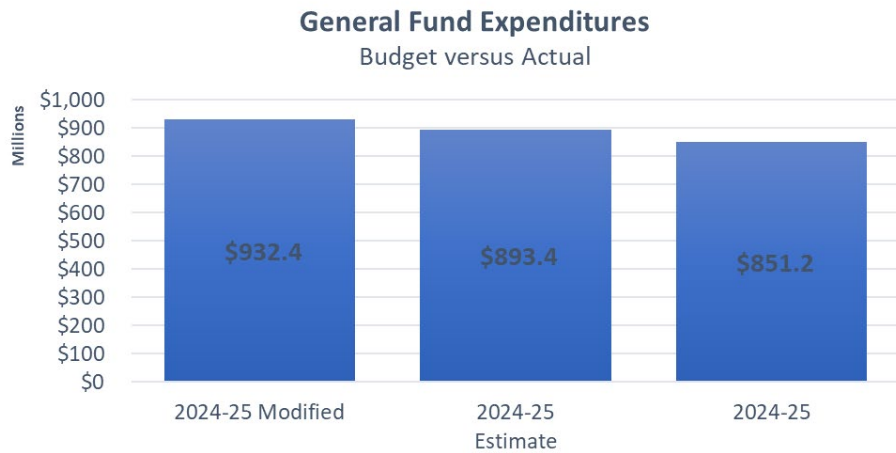
- Property taxes increased $10.9 million or 4.9% from the prior year. This increase is due to higher assessments of real estate properties. Property taxes are the largest source of discretionary revenue, accounting for 68% of non-program revenues. Given the relative size of this revenue source, it is important to note that growth in property taxes has been consistent over the last decade, so this has enabled the County to continue providing valuable services to the community even as costs of providing those services continue to grow. However, it is projected that the growth of this and other non-program revenues will not be sufficient to keep up with the rate of growth in expenditures. This imbalance could be compounded if these revenues do not continue to grow at similar rates as in the past, and will result significant challenges balancing the general fund's budget in the future.



- The next largest non-program revenue source is Transient Occupancy Taxes (TOT), which account for 12% of non-program revenue. TOT increased by $1.6 million, or 4.1% over the prior year. This revenue has ranged within $38 to $40 million in the last four fiscal years.
- Other discretionary revenues that improved include investment income due to high interest rates on the County's cash balance ($5.3 million higher); new transaction and use tax ($7.0 million); and sales and use tax ($0.9 million).
- Federal and state aid were $10.3 million and represent a reduction of $12.2 million over the prior year due to completion of ARPA projects. This revenue is primarily comprised of $2.8 million in ARPA and $5.4 million of unbudgeted FEMA reimbursements.
- Cannabis taxes decreased by $1.1 million from the prior year to $3.9 million, as repayment plans for prior period tax payments were completed.
- Other revenues totaling a $1.4 million reduction over the prior year including lower assessment and tax collections ($423k); franchise fees ($454k); tobacco settlement ($196k); and miscellaneous revenues ($306k).

GENERAL FUND EXPENDITURES

General fund expenditures were $851.2 million, $81.2 million below the final budget. Lower expenditures are predominantly attributed to $40.4 million lower-than budgeted wages, pension, and healthcare costs resulting from

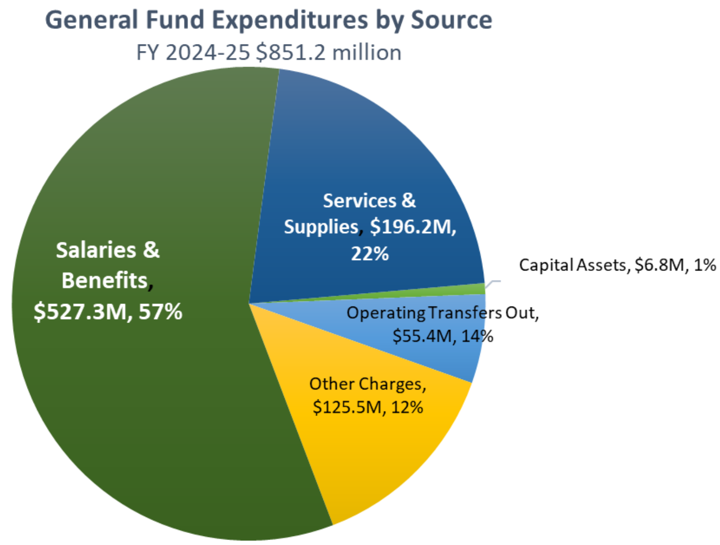


vacancies, and lower expenditures on contracted services, health and social services programs including out of home care, and construction as explained below.

Key areas of unspent appropriations:

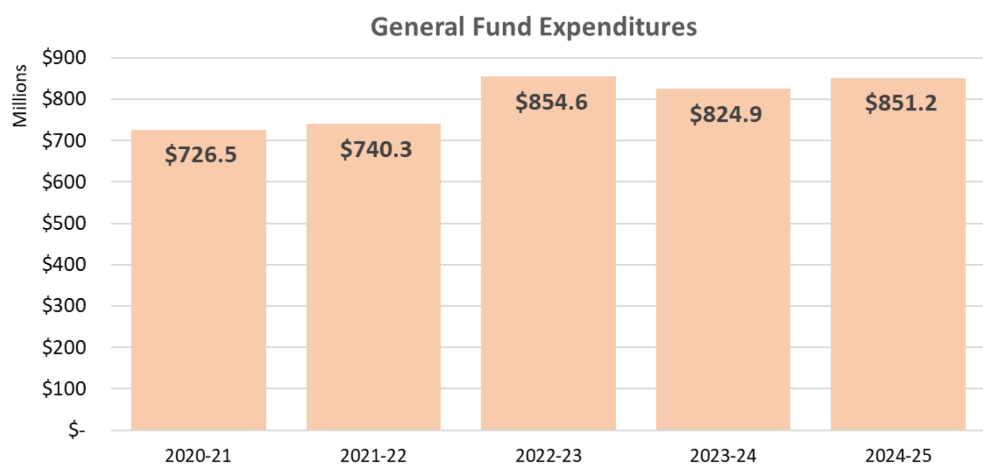
- The Health Department's expenditures were $26.2 million lower than budget due to salary and benefit savings of $13.8 million as a result of a 23% vacancy rate experienced in Clinic Services and public health. The Department also has unused appropriations of $12.5 million, of which $4.2 million was for liability payment to the State that was anticipated but not paid due to delays in settlement process, and the remaining is related to prolonged grant application processes and delivery timelines affecting public health and other programs.
- Expenditures for Social Services were $10.9 million below budget, attributed to $6.6 million in salary and benefit savings from hiring challenges and lower costs due to delays in program spending including Project HomeKey and lower Share Center costs, Age Wise grant, and lower public assistance and foster care costs compared to budget.
- County Administrative Office had expenditures that were $10.7 million below budget, primarily due to $9.3 million related to lower expenditures under a reimbursable homelessness grant and the remaining attributed to salary savings.
- Public Works, Facilities and Parks expenditures were $5.3 million lower than budget primarily due to $4.3 million for unspent appropriations due to delays in the Pajaro Mansion Project, which is funded with $1.4 million of Strategic Reserve funds and $2.9 million of AB102 grant funds. The department also had salary and benefit savings of $2.0 million from staffing constraints, offset with $1.5 million of lower intrafund reimbursements related to Fleet.
- Probation's year end expenditures were $6.2 million below budget due to $3.3 million lower salary and benefit costs due to staffing challenges and $2.9 million lower expenditures primarily for reimbursements to other agencies, capital improvements, software upgrades and State reimbursable programs.
- The Treasurer-Tax Collector underspent appropriations by $2.4 million due to vacancy salary savings and conservative spending on services and supplies.
- County Counsel had unused appropriations of $1.8 million due to vacancy salary savings and unused appropriations related to Lake San Antonio remediation project.
- Emergency Management's expenditures were $1.6 million below budget due to project delays for the Pajaro winter storm project.
- Sheriff's Office had $1.6 million in unused appropriations primarily due to reduction in equipment maintenance, outpatient and medical costs.
- Other departments with unused appropriations due largely to salary savings include: the Auditor Controller's Office ($1.5 million); Housing and Community Development ($1.6 million); Assessor-County Clerk-Recorder's ($1.1 million).

Salary and benefits costs is the largest expenditure, accounting for 57% of the general fund expenditures. Other major expenditure categories include services and supplies, transfers out to other funds such as capital project funds, Road Fund, sanitation districts, and other charges such as contributions to other agencies, public assistance, and out of home care payments. The following chart reflects the composition of expenditures by source:



The chart excludes $60 million in inter and intrafund reimbursements for that are reimbursed to the general fund for services provided primarily for IT services, county counsel and dthe ERP project. These reimburseemnts reduce expenditures.

The following chart reflects the historical expenditures in the General Fund:



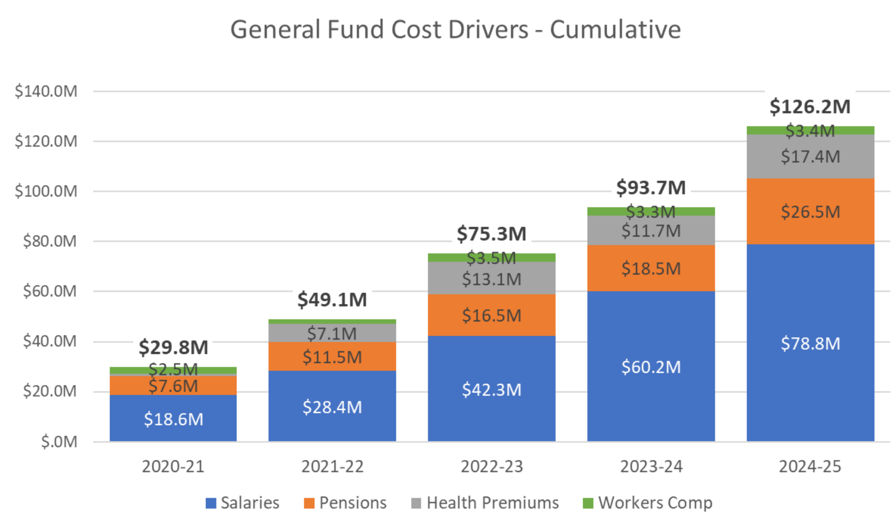
Expenditures have increased year after year over the last five years. The drop in FY 2023-24 is due to $75.4 million lower transfers out to other funds driven by one-time events including $46.0 million for a transfer to the Pension Liability fund due to timing, and transfers to other funds for winter storm repairs.

FY 2024-25 expenditures were $26.3 million higher than the prior year. Although compared to budget, expenditures were lower primarily due to vacancies and other savings, compared to prior year, expenditures increased due to salary and benefits. Salary and benefit costs grew by $22.3 million from the prior year due to approved wage increases and wage study implementations. Operating transfers out increased by $6 million due to higher general fund transfer to the Road Fund based on 25% TOT allocation and transfers for capital projects and Road Fund winter projects. Higher expenditures were offset with higher interfund reimbursements that result in a $8 million negative expenditure offset, primarily for ITD cost reimbursements and ERP reimbursements to departments for the new ERP system implementation.

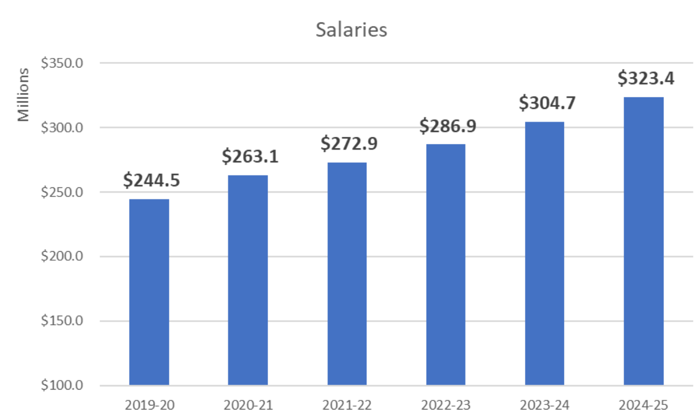
The year-over-year growth for in personnel costs was impacted by higher wages due to approved labor agreements, wage adjustments due to compensation studies, an increase of 21 FTE in the general fund in FY 2024-25 adopted budget, and step increases over the prior year. As a result, wages were $18.7 million higher than the prior year. Magnifying the impact of rising wages, the general fund also experienced higher retirement benefits costs, which increased $8.0 million over the prior year. The County suspended the supplemental Unfunded Accrued Liability Payment in FY 2024-25, this helped offset higher expenditures by $10.9 million in the general fund. Additional details related to personnel costs are explained in the Cost Drivers section.

GENERAL FUND COST DRIVERS

The chart below reflects the major cost drivers impacting expenditures on a cumulative basis. Over the past five years, these cost drivers have grown by $126.2 million, $32.5 million in FY 2024-25 alone. During that same period, the general fund adopted FTEs increased by 21 FTE from 3,379.7 FTE to 3,600.7 FTE. Most of the increase is attributed primarily to wage increases, followed by benefit costs like pension and health care costs, and not to position growth as has been seen in prior years.

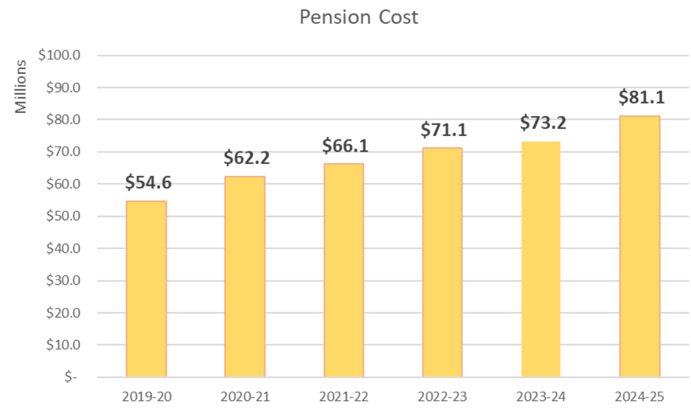


Salaries are the biggest cost driver, growing $78.8 million over the last five years due to step increases and the implementation of wage studies to bring salaries of several classifications in alignment with comparable agencies. Pension contribution costs represent the second largest increase and have grown $26.5 million cumulatively over this time, including a $8.0 million increase in FY 2024-25. Healthcare premium costs have grown by $17.4 million. This trend of growth in pension and health premium costs is part of the ongoing cost pressure in the County's budget which has seen benefit costs account for an increasing share of the employee compensation package.

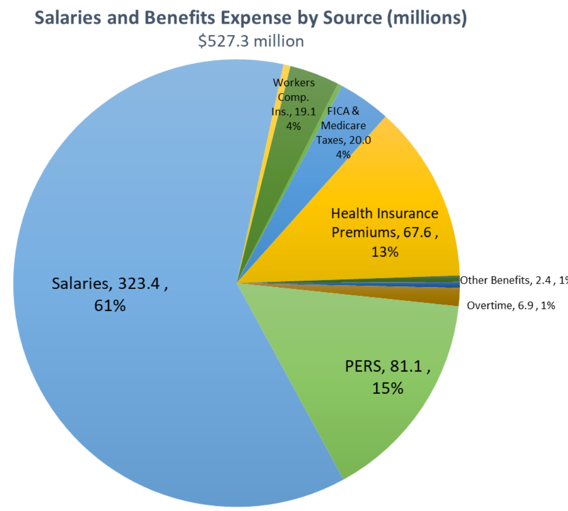


Salary costs increased $18.7 million over the prior year, largely due to higher wages. Higher salary costs are associated with wage increases based on approved MOUs, which provided employees in most bargaining units a 4% base wage increase during FY 2024-25 (partial year for most units). Over the past five years, the general fund has absorbed an average annual increase of $15.8 million in salary costs. This is expected to increase beginning in FY 2025-26 with the annualized impact of FY 2024-25 as well as the scheduled increase for FY 2025-26. In addition to COLA increases, the County implemented wage studies that increased compensation for several classifications that resulted in a phased in pay increase beginning FY 2024-25 and will continue to see increases for these classifications through FY 2028-29.

Contributions to CalPERS for employee pensions increased $8.0 million over the prior year. CalPERS implemented changes in actuarial methodology to accelerate payment towards agencies' unfunded liability and updated demographic assumptions as members continue to live longer and have higher salaries than previously estimated, thus resulting in higher lifetime benefits. The total pension cost from the general fund in FY 2024-25 was $81.1 million. About 57% goes toward the County's unfunded liability and the remaining portion is based on the County's payroll, therefore, to the extent there is growth in payroll, the pension cost will increase.

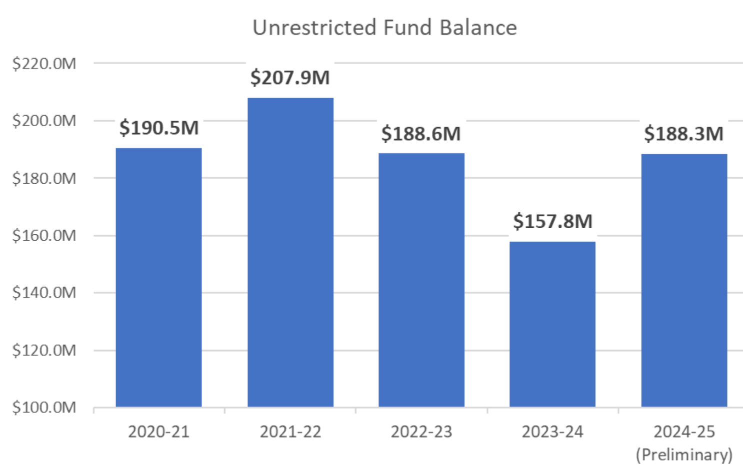


Contributions to healthcare premiums increased an $5.7 million in FY 2024-25. The County has historically absorbed premium increases and beginning in FY 2022-23, negotiated labor agreements included higher contribution amounts from the County for more bargaining units. Cumulatively, over the last five years, the County is paying $17.4 million higher health care costs. It is imperative to develop strategies to minimize the impacts these costs will have in the County's finances going forward.



Workers' Compensation increased slightly from the prior year. Workers' compensation costs of have remained stable at about $19 million since FY 2022-23, experiencing a slight 0.8% increase or $143,628 in FY 2024-25.

FUND BALANCE – PLANNING FOR FUTURE INVESTMENTS AND RISKS

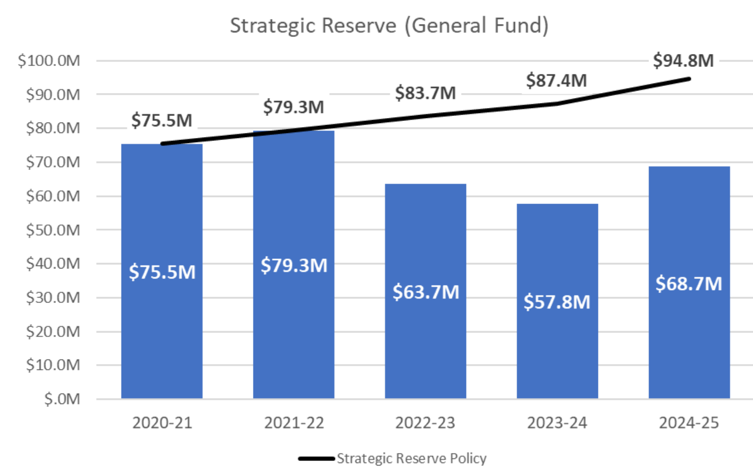


Since the Great Recession, the Board has strengthened financial policies to restore the balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. The County has invested year-end surpluses in its strategic reserve and other key investments to prepare for funding vital capital projects and reducing pension liabilities. Having robust financial policies and prudent management allows the County to utilize reserves for emergencies and natural disasters. Fortunately, federal aid such as ARPA has reduced the reliance on fund balance to fund critical programs from FY 2022 through FY 2025. The unrestricted fund balance grew from $175.3 million in FY 2018-19 to a high of $207.9 million in FY 2021-2022 before declining primarily due to use of the Strategic Reserve and other reserves utilized for key investments throughout the County. Unrestricted fund balance is referred to as the portion of the total fund balance that is not reserved for any specific use. An unrestricted fund balance that is available in the general fund is viewed by the rating agencies, as well as finance professionals, as an indicator of the financial health of the

County.

Over half of the FY 2024-25 unrestricted fund balance is comprised of a Strategic Reserve of $68.6 million for the general fund and $33.5 million for NMC ($102.1 million combined). The remaining reserves account for $46.3 million in assigned reserves for future uses and the estimated unassigned fund balance of $39.9 million based on preliminary, unaudited results.

STRATEGIC RESERVE



A significant component of the unrestricted fund balance is the strategic reserve, which was established to fund unforeseen crises or changes in fiscal conditions, including: short-term revenue reductions due to economic downturns; legal judgments against the County in excess of reserves normally designated for litigation; declared natural disasters; one-time State budget reductions that could not be addressed through the annual appropriations for contingencies; and regional emergencies. The County had to rely on strategic reserves to respond to the winter storms over the last two years, ending the year with a strategic reserve balance of $57.8 million in FY 2023-24. During FY 24-25, the County was able to add $22.5 million back to the Strategic Reserve, including $6.9 million collected during the fiscal year for primarily FEMA reimbursements and insurance proceeds, $5.7 million was reclassified from unassigned fund balance to the Strategic Reserve for prior year collections or reimbursements for projects resulting from natural disasters funded by the Strategic Reserve, and $10.0 million from prior year (FY 2023-24) surplus. However, during the fiscal year, departments utilized $11.7 million from the reserve, including $9.2 million to the Road Fund as advanced funding pending reimbursements to complete projects related to winter storms. This results in a reserve balance of $68.7 million in FY 2024-25, which is 7.2% of general fund estimated revenues. Based on the 10% ($94.8 million) policy target prudently set by your Board, there is a gap of $26.1 million to meet the policy requirements. Minimum reserves levels must be restored within five years of the event by policy. Also, by Board policy, Natividad holds $33.5 million of its own funds in the strategic reserve. Maintaining adequate reserves through robust management of the County's resources, including adherence to strong financial policies and practices, allowed the County to maintain strong credit ratings including a AAA from the credit rating agency Standard & Poor's, while Fitch downgraded its AA+ rating to AA due to economic and demographic trends.

Fiscal Year Used	Strategic Reserve Used	Strategic Reserve Repaid	Outstanding Balance	Required Payback Year
2021	$ 6,328,175	$ 6,328,175	$ -	2026
2022	$ -	$ -	$ -	2027
2023	$ 52,119,982	$ 52,119,982	$ -	2028
2024	$ 25,047,517	$ 25,047,517	$ -	2029
2025	$ 11,685,871	$ 1,003,647	$ 10,682,224	2030

It is this strong commitment to fund the strategic reserve that allowed the County to respond to the latest emergencies without impacting ongoing operating revenue. As seen in this table, the County has utilized the strategic reserve to respond to natural disasters. Beginning in FY 2023, the reserve was utilized for winter storm repair projects. The County was able to replenish the FY 2023 and FY 2024 amounts by setting aside surplus funds to the Strategic Reserve, in addition to reimbursements for disaster claims. This fiscal year, $22.5 million was added to the reserve (discussed above), of which, $21.5 million goes toward replenishing prior years' uses and $1.0 million goes toward FY 2025 uses in this analysis. In accordance with the municipal code the County must replenish that amount by 2030. This fiscal year, staff recommends adding an additional $4.8 million to the strategic reserve, which would increase the balance to $73.5 million, which is still below policy at 8.4% of general fund revenue.

CANNABIS TAX ASSIGNMENT

The cannabis tax assignment began FY 2024-25 with a balance of $2.6 million, and originally, most of the assignment was anticipated to be utilized during FY 2024-25, with $1.7 million authorized in the Recommended Budget primarily for use of body-worn cameras in the Sherriff's Office and an additional $613,883 for other projects authorized as mid-year modifications. However, during the year, the Sheriff's Office funding was swapped to utilize mostly ARPA funds instead freeing up most of the cannabis allocation. Based on FY 2024-25 expenditures, the balance is $2.1 million. The Board approved $1.5 million to be utilized in the FY 2025-26 adopted budget to restore services at risk of elimination due to insufficient resources. The projected remaining balance is $594,156. This report recommends the use of $63,130 described in the table to the right. The projected balance if the Board approves this recommendation will be $529,026.

Cannabis Assignment Balance	
FY 2024-25 Beginning Balance	2,584,530
Cannabis Assignment Expenditures FY 2024-25	524,431
FY 2024-25 Ending Balance	**2,060,099**
Approved for FY 2025-26 Adopted Budget by Board	1,465,943
Available Balance	**594,156**
Repay unallowed use under cannabis grant	65,130
Projected Ending Balance FY 2025-26	**529,026**

MEASURE AA ASSIGNMENT

Measure AA is a new 1% transaction and use tax placed on transactions in the unincorporated county areas, passed by voters during the November 2024 Election. The tax was effective April 2025 and the County collected $7.0 million from this tax. The FY 2024-25 budget did not include revenue for this as it was uncertain whether the measure would pass. As a result, the $7.0 million contributed to the County's overall surplus and was designated to an assignment to be utilized for future needs.

Measure AA Assignment	
Balance at 6/30/2025	7,014,858
FY 25-26 Modification Sheriff's Axon	(1,450,000)
Ending Balance	**5,564,858**

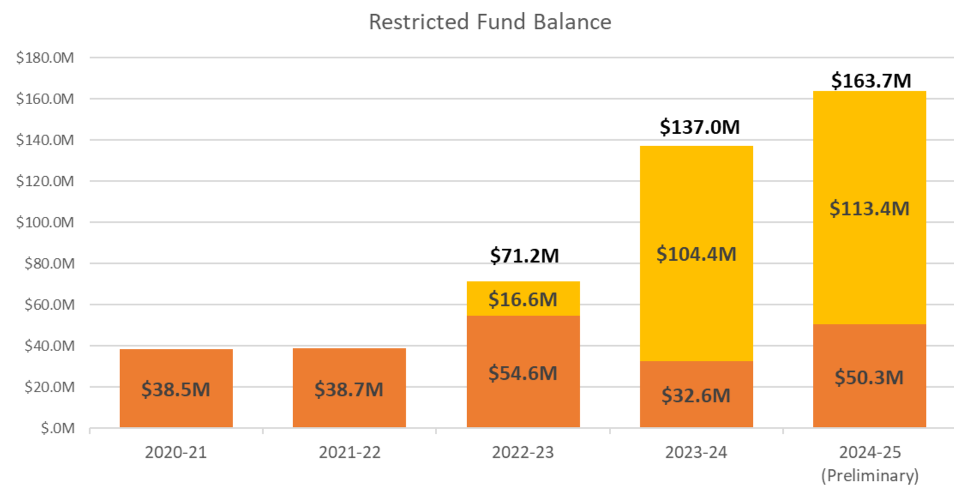
During the FY 2025-26 Budget the Board provided augmentations of $4.3 million funded with this revenue source, with corresponding revenue budgeted. Excess revenue beyond the budgeted amounts will be designated to the assignment in future years.

RESTRICTED FUND BALANCE

Restricted fund balance refers to funds constrained to specific purposes by their providers (such as grantors and external government agencies) through constitutional provisions or by legislation. Non-spendable fund balance are funds that are not in a spendable form (such as inventory). It should be noted that the increase in restricted fund balance is in part due to the inclusion of the balance of the Section 115 Pension Trust fund balance, which was $104.4 million in FY 2023-24, and $113.4 million in FY 2024-25. Funding for Health Department programs makes up most of the remaining restricted fund balance; although DSS and public safety departments also have restricted fund balances.

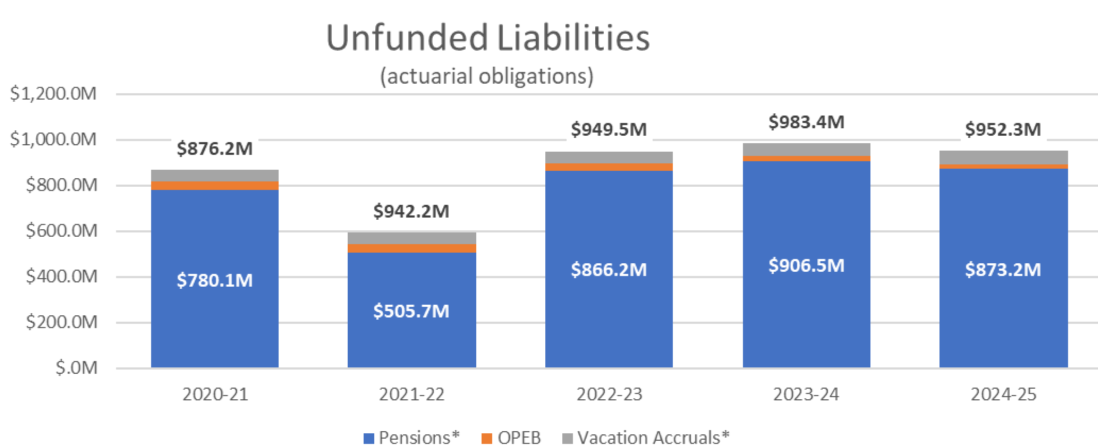
Significant changes in restricted fund balance included:

- Transfers to restricted funds by the Health department totaled $18.5 million for: Clinic Services ($15.8 million), Administration ($894,320), Environmental Health ($625,000), and Opioid Settlement funds ($474,363).
- Public Safety departments utilized a net of $1.2 million of restricted fund balance, primarily in the Sheriff's Office, who utilized $1.0 million in previously advanced grants for California Advancing and Innovating Medi-Cal CalAIM Justice-Involved implementation.
- Social Services restricted $3.0 million including $1.8 million of unspent Homeless Housing Assistance and Prevention grant funding and $1.2 million for public assistance programs.



UNFUNDED LIABILITIES

The County's financial condition is affected by various liabilities. Those liabilities include actuarily determined accrued liabilities for employee benefits (vacation accruals and post-employment health premiums, pension benefits) and workers' compensation and general liability programs. The unfunded liability is the amount, at any given time, by which future obligations exceed the present value of assets available to pay them. Major long-term obligations include CalPERS' pension, OPEB (State-mandated premium for retiree health insurance), and vacation accruals. In recent years, the workers' compensation and the general liability self-insured program have had a surplus based on actuarial reports assuming a 70% confidence level, but based on experience of claims, these programs could potentially carry a deficit and become an unfunded liability in the future. The County's unfunded liabilities total $952.3 million, a decrease of $31.1 million from the prior year.



*: includes the $113.4 million in the Section 115 pension trust and $10.4 million in the compensated absences assignment.

Unfunded employee pension benefits are the largest liability at $873.2 million. The County's pension plans provide defined retirement, disability, and death benefits to eligible employees. According to the latest actuarial report as of June 2024, the County's total liability is $3.8 billion, with assets of $2.8 billion, resulting in an unfunded accrued liability (UAL) of $1.0 billion. However, the chart above shows the modified liability of $873.2 million after considering the $113.4 million in the County's 115-pension trust fund. That is an improvement over the prior year and is driven by a reduction of $24.3 million in combined UAL to both the miscellaneous and safety plans due to favorable return on investment of 9.3%, which was above the assumed rate of 6.8%. Additionally, the market value of assets in the 115 Pension Trust fund increased

$9.0 million, also a contributing factor to the reduced liability shown in the chart.

An annual volatility average of 12% pinpoints the importance for the County to continue addressing this large unfunded liability. In any given year that plans experience a loss to investments, the UAL contributions will be impacted and increase the County's contribution to the UAL in the following year. Accordingly, the Board adopted a pension liability policy and established an IRS Section 115 pension trust. The trust serves as an investment vehicle outside of the County's treasury pool to generate investment proceeds to address future pension liability obligations. In FY 2022-23 and FY 2023-24, the County included supplemental pension unfunded liability contributions to the pension trust by allocating these costs to departments as a percentage of their normal pension costs. No additional contributions have been made toward the pension fund, but the assets continued to increase in FY 2024-25 by $9.0 million due to favorable investments.

The unfunded liability for Other Post-Employment Benefits (OPEB) is $20.8 million. The County participates in the California Employers' Retiree Benefit Trust (CERBT) to provide a low cost, professionally managed investment vehicle for pre-funding other post-employment benefits. The County makes regular contributions to CERBT based on actuarial valuations obtained every two years. New valuation is pending for FY 2024-25.

The unfunded portion of vacation accruals totals $58.4 million, a $2.2 million increase over the prior year, representing the amount owed to employees for compensated time earned but not used. When an employee separates from the County, the employee is due their vacation accruals. The total leave accrual liability is $68.8 million, but the Board agreed to set aside funds in the compensated absences assignment, which currently holds $10.4 million leaving an unfunded liability of $58.4 million.

Total unfunded liabilities showed a decrease of $31.1 million in FY 2024-25, based on available actuarial and ACFR information, centered in lower pension unfunded liability resulting from favorable investment earnings. However, the ongoing cost for pensions continues to absorb a greater portion of the budget as contributions increase due to payroll growth and to reduce the unfunded liability. The County's unfunded liability is determined on a number of assumptions, but it is highly impacted directly by investment earnings. The unfunded liability could grow in a given year with poor investment returns below the assumption of 6.8% utilized by CalPERS.

LOOKING AHEAD

The County of Monterey has a history of prudent financial management which was built by institutionalizing a fiscally conservative culture and best practices by establishing financial policies and adopting structurally balanced annual budgets without the use of one-time funds for operating needs and increasing reserves. The Board's financial policies set proper reserves and realistic budgets that, during the pandemic, allowed the County to expand services to the community members most in need without impacting service levels in other areas or eliminating positions. The value of this prudent approach to financial management has been evident as the County had to respond to multiple significant emergencies over the last couple of fiscal years. The County's solid reserves were used to cash flow a large portion of the emergency response costs. As the County starts its planning for the FY 2026-27 budget, it is important to continue relying on these solid policies and practices and to work toward achieving a structurally balanced budget.

As the increased costs to provide services continues to impact operations, the County has continued to provide critical services and minimized impacts despite challenging fiscal pressures by utilizing reserves to continue programs. Using reserves carries the risk into future years due to the one-time nature, however, for FY 2025-26, reserves were utilized balance the budget, minimize impacts, and bridge timing of new ongoing revenue sources as the County expected collections due to the new Measure AA tax revenue. Going forward, it is imperative that the County minimize reliance on reserves to fund ongoing operations to maintain strong financial reserves for one-time events.

Looking ahead to FY 2026-27, the County will face greater cost pressures from increasing wages and benefits resulting from approved labor agreements and phase-in of wage studies. The County's reserves including the reserve for contingency and the cannabis assignment were depleted with the FY 2025-26 budget and will no longer be available. The County's focus should remain on replenishing reserves for future use and rebalancing operational expenditures to ongoing revenues in order to maintain a strong financial condition. The three-year forecast developed in early 2025 estimated the County could face a deficit of $67.4 million in FY 2026-27. As departments work with the CAO's office, an updated forecast will be prepared in early January, with findings presented to the Board's Budget Committee in late February and to the full Board in early March.

FUTURE NEEDS

Capital Needs

The County is an organization which proactively manages its long-term capital needs. This proactive management dictates the County clearly articulate its priorities for the construction of new facilities which will enable the County to provide excellent services to the community. As mentioned in this report, the significant cost pressure the County is facing to continue to provide services to the community limits resources that can be invested in infrastructure. The County is in the process of exploring debt issuance options to finance projects in the Capital Improvement Program (CIP).

This table reflects needs based on the list of projects within the CIP. Some of the projects have identified partial funding for the first year FY 2025-26 of $122.1 million, but there is an unfunded portion of $421.2 million. The FY 2026 funded projects with highest future funding needs are the Constitution Mental Health Rehabilitation Center Campus ($108 million future funding need), the Seaside Community Benefits Center ($107.6 million future funding need), and the Jolon Rd Rehabilitation Project ($36.8 million future funding need). A list of capital projects with funding needs is included as an attachment to this report.

FY26 CIP Funding S	FY26 Unfunded	FY26 Funded	Future Unfunded	Future Funded
First Year - Funded	$ 5,874,971	$ 122,077,818	$ 415,323,279	$ 270,257,417
First Year - Unfunded	$ 82,314,435	$ 787,465	$ 140,590,481	$ 1,778,602
Future Funded	$ -	$ -	$ -	$ 178,225,200
Future Unfunded	$ -	$ -	$ 204,350,617	$ 2,595,616
Grand Total	**$ 88,189,406**	**$ 122,865,283**	**$ 760,264,377**	**$ 452,856,835**

Other Needs

The County is also facing significant cost pressures in the coming years as a result of labor negotiations and the County's philosophy to pay market salaries. Additionally, there are other emerging needs across the County to improve programs and / or keep up with mandated responsibilities. Planning for these future needs will allow the County to be responsive when these costs arise and minimize impacts to service levels. The following table outlines estimates for emerging costs in the current year, and next fiscal year:

Emerging Costs - General Fund	2025-26	2026-27
Inmate Medical Agreement	$ 4.2	$ 8.7
Jail Capital Improvements	0	2.5
ERP Cost Overrun	1.9	0.7
Acquisition - Life Foundation Buiding	8.0	0
IHSS Wage Increase	0	3.4
Total	14.1	11.9

- Inmate Medical Care and Jail Improvements - A new contract for the inmate medical care to address higher demand for treatment and improve the delivery of healthcare services at the jail. To implement this new agreement, there is an additional cost of about $4.2 million in the current year. The estimated annual increase next fiscal year is $8.7 million. Additionally, there is an estimated cost of $2.5 million to address jail improvements needed to comply with ADA requirements.

- ERP Project - The County is currently implementing the ERP project and due to increased scope and a revised timeline to finalize implementation, which extended the time over the original schedule, it is anticipated that the project will require about $1.9 million in the current year and $700k next fiscal year to complete.
- IHSS Wages – the County's responsibility for approved IHSS wage increase is $3.4 million next fiscal year.
- Purchase of DSS-occupied building - The County plans to acquire a building that has been a long-term lease to the Department of Social Services.

In addition to these costs, next fiscal year, based on authorized positions in the general fund, the Cost-of-Living Adjustment will cost $20.1 million and wage study implementations that are currently in place will cost an additional $5.5 million. Some departments can keep up with costs through program revenue such as increased fees for service, realignment revenues, or grant reimbursements, but departments that heavily rely on discretionary revenue contributions will be impacted. Due to the favorable performance in the general fund in FY 2024-25, the recommendations include some actions that would begin to partially address some emerging costs or set funds aside to address them in the future.

SUMMARY OF RECOMMENDATIONS

Based on FY 2024-25 general fund performance, the County Administrative Office recommends the following actions in FY 2025-26:

1. Authorize an increase in appropriations of $63,130 in the CAO – Cannabis Program FY 2025-26 adopted budget, funded by cannabis assignment to repay unallowed use of a state grant.
2. Authorize an increase in appropriations in the amount of $1,372,413 in the Public Works, Facilities and Parks FY 2025-26 adopted budget to reappropriate unspent Strategic Reserve funds that were released in FY 2024-25.
3. Authorize an increase in appropriations in the amount of $235,583 in the Public Works, Facilities and Parks FY 2025-26 adopted budget, funded by unassigned fund balance for increased security services at County facilities.
4. Designate $7,000,000 from unassigned fund balance (BSA 001-3101) to replenish the contingency reserve (BSA 001-3113)
5. Designate $15,000,000 from unassigned fund balance to fund projected cost increases in FY 2026-27
6. Designate $8,000,000 from unassigned fund balance for the purchase of the Life Foundation building
7. Designate $4,821,518 from unassigned fund balance to the County's Strategic Reserve (general fund portion)

DEPARTMENTAL BUDGET PERFORMANCE

The annual budget approved by the Board of Supervisors is the County's central financial planning document embodying the annual goals, objectives, priorities, and levels of service and associated operating revenue and expenditures for all departments and agencies under the Board's authority. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department heads are responsible for managing their budgets within the total appropriation of their department. As established in the Board's general financial policies, expenditures shall not exceed appropriations and allocated discretionary general fund contributions (GFC). If revenues fall short, departments must take all available actions to re-establish a balance between revenue and expenditures, including developing service alternatives and mitigation strategies.

In FY 2024-25, County programs, services, and administrative functions were provided through twenty-six departments. Twenty-three of these departments receive funding from the general fund. Departments and major funds supported outside the general fund include the Road Fund, Monterey County Free Libraries, Behavioral Health, Emergency Communications, Natividad Medical Center, Parks – Lake & Resort, and Laguna Seca Recreational Area.

Overall, FY 2024-25 GFC performance is favorable in comparison to budgeted amounts. Unaudited year-end results indicate twenty-one (21) general fund departments ended the fiscal year below budgeted GFC, and two exceeded their budgeted GFC. The combined surpluses and deficits resulted in an overall $18.8 million in GFC savings. The table below summarizes year-end GFC results by department compared to the final budget, including budget modifications.

Department Label	Gen. Fund Contribution (Budgeted)	Gen. Fund Contribution (Year-End Estimated)	Gen. Fund Contribution (Actual)	GFC Surplus/(Deficit) Estimate v Actual	GFC Surplus/(Deficit) Budget v Actual
1000 - Board of Supervisors	$ 6,465,817	6,312,585	6,250,493	62,092	215,324
1040 - Department of Emergency Management	$ 3,731,803	3,532,640	2,887,692	644,948	844,111
1050 - County Administrative Office (Dept)	$ 8,387,682	7,851,179	7,942,483	(91,304)	445,199
1060 - Human Resources	$ 813,044	274,865	325,823	(50,958)	487,221
1080 - Civil Rights Office	$ 382,624	432,668	361,247	71,421	21,377
1110 - Auditor Controller	$ 1,382,410	1,344,370	(127,296)	1,471,666	1,509,706
1170 - Treasurer/Tax Collector	$ 245,845	(140,304)	(1,424,106)	1,283,802	1,669,951
1180 - Assessor/Clerk/Recorder	$ 6,264,616	5,921,732	6,219,542	(297,810)	45,074
1210 - County Counsel	$ 1,964,867	1,710,271	(86,408)	1,796,679	2,051,275
1300 - Clerk of the Board	$ 987,345	990,947	882,440	108,507	104,905
1410 - Elections	$ 4,125,284	4,112,149	3,808,355	303,793	316,929
1930 - Information Technology	$ 2,769,799	1,192,521	786,819	405,701	428,850
2240 - District Attorney	$ 19,323,635	16,910,703	19,733,634	(2,822,932)	(409,999)
2250 - Child Support Services	$ 253,540	25,142	213,434	(188,291)	40,106
2270 - Public Defender	$ 14,780,519	14,554,819	14,487,743	67,077	292,776
2300 - Sheriff-Coroner	$ 106,441,237	102,436,432	105,870,951	(3,434,520)	570,286
2550 - Probation	$ 25,210,412	24,767,323	25,171,209	(403,886)	39,203
2810 - Agriculture Commissioner	$ 5,838,428	4,690,729	4,389,915	300,814	1,448,513
3100 - Housing and Community Development	$ 9,625,779	8,315,856	7,516,597	799,258	2,109,182
3200 - Public Works, Facilities & Parks	$ 16,643,787	16,509,178	13,687,864	2,821,314	2,955,923
4000 - Health	$ 18,252,093	26,448,970	19,817,027	6,631,943	(1,564,934)
5010 - Social Services	$ 22,886,820	23,857,059	16,444,442	7,412,617	5,204,564
6210 - Cooperative Extension Service	$ 570,019	565,854	560,963	4,891	9,056

BREAKDOWN BY GENERAL FUND DEPARTMENT PERFORMANCE AND FINANCIAL CONDITION OF OTHER MAJOR FUNDS

GENERAL FUND DEPARTMENTS

Agriculture Commissioner

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	15,988,928	15,781,369	15,374,169
Adjusted Exp	15,988,928	15,781,369	15,374,169
Total Rev	10,150,500	11,090,640	10,984,254
Expenditures - Revenues	$ 5,838,428	$ 4,690,729	$4,389,915
GFC	$ 5,838,428	$ 4,690,729	$4,389,915
Budget vs. Actual Financial Result		Surplus	$1,448,513

The Agricultural Commissioner’s expenditures totaled $15.3 million, and revenues totaled $11.0 million, resulting in a General Fund Contribution (GFC) to the department of $4.4 million.

Expenditures were under budget by $614,759 due to salary savings from vacant positions while recruitment took place during the fiscal year. Revenues were $833,754 above budget due to unanticipated Unclaimed Gas Tax (UGT) funds received from the California

Department of Food and Agriculture, and mill assessment funds disbursed from the California Department of Pesticide Regulation to counties for pesticide regulatory work performed by the department. Total revenue was slightly less than mid-year estimates due to delay of collection of revenues past the accrual period. The lower than budgeted expenditures and higher revenues resulted in a surplus of $1.4 million dollars.

Assessor/Clerk/Recorder

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	11,080,889	9,715,697	9,664,688
Intrafund Reimbursements	(445,273)	(445,273)	(166,510)
Adjusted Exp	10,635,616	9,270,424	9,498,178
Total Rev	4,371,000	3,348,692	3,278,636
Expenditures - Revenues	$ 6,264,616	$ 5,921,732	$6,219,542
GFC	$ 6,264,616	$ 5,921,732	$6,219,542
Budget vs. Actual Financial Result		Surplus	$45,074

The Assessor-County Clerk-Recorder ended the year with expenditures of $9.4 million, $1.1 million below budget, mainly due to vacancies. Actual revenue was $3.3 million or $1.1 million under budget due to a continued decrease in recordings caused by persistent high interest rates impacting the conventional lending industry. Real Property Recording Fees revenue increased by 13% year-over-year but remains down 47% compared to levels in FY 2021-22 before the federal interest rate hike. Overall, the department ended the year with a surplus of $45,074.

Auditor-Controller

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	11,280,924	10,278,267	8,545,618
Interfund Reimbursements	(3,165,194)	(2,200,578)	(1,966,984)
Cost Plan Credits	(6,113,027)	(6,113,027)	(6,113,027)
Adjusted Exp	2,002,703	1,964,663	465,606
Total Rev	620,293	620,293	592,902
Expenditures - Revenues	$ 1,382,410	$ 1,344,370	-$127,296
GFC	$ 1,382,410	$ 1,344,370	-$127,296
Budget vs. Actual Financial Result		Surplus	$1,509,706

The Auditor-Controller ended the year with $8.5 million in expenditures financed by $2.0 million in interfund reimbursements, $6.1 million in cost plan credits, revenues of $592,903, and a General Fund Contribution (GFC) of $(127,296) compared to a budgeted GFC of $1.3 million. This results in a GFC surplus of $1.5 million.

The surplus is primarily derived from savings due to vacancies. Expenditures were $1.5 million lower than the budget, while revenues were $27,391 lower than the budget.

Board of Supervisors

		Final Budget		Year-End Estimate	2024-25 Actual
Total Exp		6,465,817		6,312,585	6,233,503
Adjusted Exp		6,465,817		6,312,585	6,233,503
Total Rev		-		-	(16,990)
Expenditures - Revenues	$	6,465,817	$	6,312,585	$6,250,493
GFC	$	6,465,817	$	6,312,585	$6,250,493
Budget vs. Actual Financial Result				Surplus	$215,324

The Board of Supervisors budget funds the five individual district offices and an operational unit for general Board expenditures. The Board ended the fiscal year with a surplus of $215,324 mainly due to salary savings and services and supplies costs.

Child Support Services

		Final Budget		Year-End Estimate	2024-25 Actual
Total Exp		12,433,657		12,295,354	12,009,451
Adjusted Exp		12,433,657		12,295,354	12,009,451
Total Rev		12,180,117		12,270,212	11,796,018
Expenditures - Revenues	$	253,540	$	25,142	$213,434
GFC	$	253,540	$	25,142	$213,434
Budget vs. Actual Financial Result				Surplus	$40,106

The Department of Child Support Services (DCSS) is primarily funded through federal and state subventions for mandated services. Expenditures were budgeted at $12.4 million, funded by revenues of $12.2 million and a General Fund Contribution (GFC) of $253,540. The GFC includes $190,719 in General Fund Contingencies approved by the Board of Supervisors on May 13, 2025, for the DCSS Office Relocation project.

Actual expenditures were $12.0 million, $424,206 below budget, primarily due to salary savings from unfilled positions. Actual revenues were $11.8 million, $384,099 below budget, due to lower reimbursable expenditures. The department ended the fiscal year with a surplus of $40,106, due to timing of prior year revenue collections and unused funds allocated to the Office Relocation project.

Civil Rights Office

		Final Budget		Year-End Estimate	2024-25 Actual
Total Exp		1,128,545		1,178,589	1,107,168
Cost Plan Credits		(745,921)		(745,921)	(745,921)
Adjusted Exp		382,624		432,668	361,247
Expenditures - Revenues	$	382,624	$	432,668	$361,247
GFC	$	382,624	$	432,668	$361,247
Budget vs. Actual Financial Result				Surplus	$21,377

The Civil Rights Office's operational expenditures were $1,107,168, offset by a Cost Plan Credit of $745,921 and a general fund contribution of $361,247. This results in a year-end surplus of $21,377 for the Civil Rights Office. Expenditures were lower than budget by $21,377 due to cost management that postponed previously planned expenses to reduce the initially forecasted deficit.

Clerk of the Board

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	1,007,345	1,011,147	901,790
Adjusted Exp	1,007,345	1,011,147	901,790
Total Rev	20,000	20,200	19,350
Expenditures - Revenues	$ 987,345	$ 990,947	$882,440
GFC	$ 987,345	$ 990,947	$882,440
Budget vs. Actual Financial Result		Surplus	$104,905

The Clerk of the Board ended the year with a surplus of $104,905 mainly due to salary savings and decreases in various supplies and services such as publication of notices, professional services and rents and leases of equipment.

Cooperative Extension Service

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	590,929	573,630	560,963
Adjusted Exp	590,929	573,630	560,963
Total Rev	20,910	7,776	-
Expenditures - Revenues	$ 570,019	$ 565,854	$560,963
GFC	$ 570,019	$ 565,854	$560,963
Budget vs. Actual Financial Result		Surplus	$9,056

The Cooperative Extension Services ended the year with $560,963 in expenditures, which were $29,966 below budget due to lower fleet services costs.

The Department budgeted $20,910 in revenue, but due to lower reimbursable hours, the estimate for the year was adjusted to $7,776 for its reimbursed programs from the University of California. The department did not collect the revenue in time for the year-end close, and $6,824.26 in revenues is pending collection in FY 2026. The department also has pending revenue totaling $28,541 for reimbursable hours worked in previous fiscal years for programs reimbursed by UC.

Overall, the department ended the year with a GFC surplus of $9,056 due to lower expenditures, offset by a reduction of revenues due to timing of collections.

County Administrative Office (Departmental)

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	25,847,594	23,553,957	14,944,442
Interfund Reimbursements	(582,162)	(338,424)	(382,845)
Intrafund Reimbursements	(111,134)	(153,123)	(142,019)
Cost Plan Credits	(2,111,398)	(2,111,398)	(2,111,398)
Adjusted Exp	23,042,900	20,951,013	12,308,179
Total Rev	14,655,218	13,099,835	4,365,696
Expenditures - Revenues	$ 8,387,682	$ 7,851,179	$7,942,483
GFC	$ 8,387,682	$ 7,851,179	$7,942,483
Budget vs. Actual Financial Result		Surplus	$445,199

The County Administrative Office (CAO) Departmental includes the business areas of Finance and Administration, Budget and Analysis, Contracts/Purchasing, Intergovernmental & Legislative Affairs, Office of Community Engagement & Strategic Advocacy (OCESA), Sustainability, Homelessness Services, Economic Development Administration, and Cannabis Program.

CAO Departmental ended the year with total expenditures of $12.3 million, $10.7 million below budget. The majority ($9.3 million) of the lower expenditures are due to expenditures under a reimbursable homelessness grant program with corresponding revenue reduction. Additionally, the department had salary savings and lower services and supplies costs across multiple units.

Revenue was $10.3 million below budgeted of which $9.3 million is attributed to Homelessness Encampment Resolution Grants, for which revenues and corresponding expenses will materialize in a future fiscal year. The projects were not fully developed when the grants were awarded, however, the entire amount was budgeted to avoid shortfalls in appropriations. $758,459 of the revenue variance is attributed to sustainability grants and included unbilled/ uncollected amount of around $500K.

The CAO Departmental units ended with a budgetary surplus of $445,199. Significant factors driving the surplus include: $682,062 in salary savings, primarily in Admin/ Finance, Budget & Analysis, and Cannabis.

County Administrative Office (Non-Departmental)

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	$79,735,120	$62,290,218	$73,303,883
Adjusted Exp	$79,735,120	$62,290,218	$73,303,883
Total Rev	$320,635,351	$332,122,213	$364,233,707
Expenditures - Revenues	-$240,900,231	-$269,831,995	-$290,929,823
GFC	-$240,900,231	-$269,831,995	-$290,929,823
Budget vs. Actual Financial Result		Surplus	$50,029,592

The County Administrative Office (CAO) non-departmental general fund units are countywide, non-operational functions including: the appropriation for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service, memberships in regional organizations; health realignment maintenance-of-effort; development set-aside; and the County's non-program revenue.

CAO non-departmental units ended the year with a budget surplus of $50.0 million. Significant factors driving the surplus include:

- Non-program revenue was $35.5 million higher than budget primarily due to continued favorable property taxes, which were $6.2 million higher than budget; $9.8 million more in investment income due to high interest rates; and $7.0 million in unbudgeted transaction and use tax due to a newly approved tax measure. Additionally, $5.4 million of unbudgeted FEMA reimbursements were collected for disaster related projects. Other discretionary revenues that were above budget, include: Transient Occupancy Tax ($1.3 million higher), franchise fees ($1.6 million higher), penalties ($1.0 million higher), and Miscellaneous Revenues ($1.4 million higher).

- Operating Transfers In were $9.1 million higher, primarily due to unbudgeted transfers including $8.5 million from NMC that was designated for their Strategic Reserve and $247k that was transferred from CSA funds to be returned to General Fund Strategic Reserve.
- Other Financing Uses were lower than anticipated by $2.8 million primarily due to transfers out for ITD capital projects and to County Sanitation Districts.

Of the $50.3 million surplus, several assignment designations were made including the $8.5 million to NMC's Strategic Reserve, $5.7 million to General Fund Strategic Reserve (FEMA reimbursements), and $7.0 million from Measure AA revenues was designated to an assignment, resulting in an adjusted surplus of $29.1 million for CAO non-departmental units.

County Counsel

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	11,119,892	9,049,061	10,087,747
Interfund Reimbursements	(4,843,142)	(2,953,918)	(5,298,934)
Intrafund Reimbursements	-	0	(313,632)
Cost Plan Credits	(3,861,883)	(3,861,883)	(3,861,883)
Adjusted Exp	2,414,867	2,233,261	613,298
Total Rev	450,000	522,990	699,706
Expenditures - Revenues	$ 1,964,867	$ 1,710,271	-$86,408
GFC	$ 1,964,867	$ 1,710,271	-$86,408
Budget vs. Actual Financial Result		Surplus	$2,051,275

County Counsel's expenditures were budgeted at $11.1 million, funded by $3.9 million in cost plan credits, $4.8 million in interfund reimbursements, $450,000 in revenues, and $2.0 million in General Fund Contribution (GFC).

Actual expenditures totaled $10.1 million, supported by $5.3 million interfund reimbursements and $699,706 in revenues and cost plan credits of $3.9 million. Expenditures were $1.0 million below budget driven primarily by significant salary savings due to position vacancies and retirements throughout the year and lower costs in services and supplies, such as Grand Jury related expenses; records retention charges, and conference/lodging. Additionally, unused appropriations resulting from the Lake San Antonio remediation project, and higher than expected revenues from outside agencies contributed to the surplus. This resulted in a GFC surplus of $2.1 million.

District Attorney

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	39,062,766	37,102,618	38,290,835
Intrafund Reimbursements	(1,831,766)	(1,852,683)	(1,736,080)
Adjusted Exp	37,231,000	35,249,935	36,554,755
Total Rev	17,619,054	18,050,921	16,532,744
Expenditures - Revenues	$ 19,611,946	$ 17,199,014	$20,022,011
Use of Restricted FB	(288,311)	(288,311)	(288,377)
Fund Balance Adjustments	$ (288,311)	$ (288,311)	-288,377
GFC	$ 19,323,635	$ 16,910,703	$19,733,634
Budget vs. Actual Financial Result		Deficit	-$409,999

The District Attorney's (DA) Office ended the year with $36.6 million of expenditures, $676,245 less than budgeted. Lower expenditures were driven primarily by salary savings from countywide hiring freezes.

Year-end revenue was $16.5 million, $1.1 million lower than budgeted. Lower revenue was due to lower federal aid for a traffic safety grant was double counted in error, causing revenue to be below budget by $700,000 and revenue from forfeitures and penalties were $846,388 lower than budget. These revenue reductions were partly offset with higher Public Safety Sales Tax revenue that came in $876,000 higher than budget.

Overall, the DA had a budgeted GFC of $19.3 million, but utilized $19.7 million, and ended the fiscal year with a GFC deficit of $409,999 after using $288,377 of restricted fund balance. The deficit was primarily driven by the lower forfeiture and penalties revenue in the civil division.

Elections

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	6,754,880	6,597,112	6,462,449
Adjusted Exp	6,754,880	6,597,112	6,462,449
Total Rev	2,629,596	2,484,963	2,654,093
Expenditures - Revenues	$ 4,125,284	$ 4,112,149	$3,808,355
GFC	$ 4,125,284	$ 4,112,149	$3,808,355
Budget vs. Actual Financial Result		Surplus	$316,929

The Elections Department ended the year with $6.5 million in expenditures, $2.7 million in revenue and GFC of $3.8 million. Year-end expenditures were $292,431 lower than budget primarily due to staff vacancies and cost savings in ballot and voter information guide printing costs. Revenues were $25,497 above budget due to special election revenue and from an increased number of billable jurisdictions on the Presidential General Election ballot in November. The Department ended the year with a GFC surplus of $316,929.

Department of Emergency Management

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	10,926,715	10,376,390	9,223,343
Interfund Reimbursements	(100,909)	(100,909)	-
Adjusted Exp	10,825,806	10,275,481	9,223,343
Total Rev	7,094,003	6,742,841	6,335,651
Expenditures - Revenues	$ 3,731,803	$ 3,532,640	$2,887,692
GFC	$ 3,731,803	$ 3,532,640	$2,887,692
Budget vs. Actual Financial Result		Surplus	$844,111

The Department of Emergency Management (DEM) ended the year with $9.2 million in expenditures, $1.6 million less than budgeted. The variance is primarily related to project delays with the AB102 Grant for Pajaro Park, Library Improvement and other AB102 projects due to contractual issues or vendor availability.

Actual Revenues came in at $6.3 million for the year, $0.8 million under budget. The variance is driven by a reduction of grant revenues related to project delays with the AB102 Grant for Pajaro Park, Library Improvement and other AB102 projects, offset by revenue received for work completed in FY 2024.

Overall, DEM budgeted a General Fund Contribution (GFC) of $3.7 million, with $1.2 million in budget amendments, but utilized $2.8 million. The department ended the fiscal year with a GFC surplus of $844,111, primarily due to revenue collected for prior year projects.

Health

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	168,837,710	162,898,291	142,654,231
Interfund Reimbursements	(7,961,404)	(8,353,670)	(10,470,761)
Intrafund Reimbursements	(16,115,899)	(17,296,732)	(13,750,065)
Adjusted Exp	144,760,407	137,247,890	118,433,405
Total Rev	121,969,715	106,260,321	112,969,868
Expenditures - Revenues	$ 22,790,692	$ 30,987,569	$5,463,537
Use of Restricted FB	(4,538,599)	(4,538,599)	(4,138,843)
Transferred to Restricted Fund Balance	-	-	18,492,332
Fund Balance Adjustments	$ (4,538,599)	$ (4,538,599)	14,353,490
GFC	$ 18,252,093	$ 26,448,970	$19,817,027
Budget vs. Actual Financial Result		Deficit	-$1,564,934

The Health Department’s total expenditures were $26.2 million below budget. The main contributing factor was an average vacancy rate of 23%, which generated savings of $13.8 million in salaries and benefits. Most of the vacancies occurred in the Clinic Services ($6.9 million), Administration ($3.4 million), and Environmental Health ($1.9 million). Expenditures in services and supplies were under budget by $12.5 million. Savings in services and supplies were realized primarily in Public Health ($5.5 million), Clinic Services ($4.9 million), and $2.1 million across the rest of Health Bureaus/Divisions, and were attributable to prolonged approval process for grant expenditures at state and federal levels and decreased programmatic activities associated with vacancies.

Since March of 2015, some Managed Care Plan members served by Clinic Services were moved from fee-for-service to capitation, with the State performing yearly reconciliations for which any resulting overpayments must be returned. After a brief pause in settlements, the state resumed the process in Fiscal Year (FY) 2022-23 and brought it up to current in FY 2023-24. Clinic Services anticipated liability payments to the State in the amount of $4.2 million; however, only $36,522 was paid during the budget year due to a delay in the settlement process. As the potential for delays in settlements was anticipated, provision was made in the FY 2025-26 for repayment of all outstanding amounts.

Total revenue was $8.9 million below budget. The variance arose in primarily in Public Health ($4.2 million), and Clinic Services ($4.0 million), and $0.7 million across the rest of Health Bureaus/Divisions, and is attributable to the significant vacancy-rate in revenue generating positions.

The department transferred restricted funds totaling $18.4 million for uses in Environmental Health ($625,000), Clinic Services ($15.8 million), Public Health ($14,759), Administration ($894,320) and Opioid Settlement funds ($474,363).

The department ended the year with a $1.6 million deficit, driven by Clinic Services due to the conversion of four standalone clinics to intermittent status. The change in status will result in additional revenue of up to $20 million annually. However, processing of the documentation with the State to execute the change required pausing billing for services for the four clinics involved for the months of May and June, which generated the deficit. The concept, including the anticipated deficit, were presented to and received approval from the Board of Supervisors on April 29, 2025. As of writing of this report, billing for the four clinics has resumed, and the deficit is expected to be settled in FY 2025-26.

Housing and Community Development

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	20,091,952	18,764,092	18,403,292
Interfund Reimbursements	(384,217)	(384,218)	(235,785)
Intrafund Reimbursements	(13,110)	(13,110)	(22,063)
Adjusted Exp	19,694,625	18,366,765	18,145,445
Total Rev	10,068,846	10,050,909	10,628,847
Expenditures - Revenues	$ 9,625,779	$ 8,315,856	$7,516,597
GFC	$ 9,625,779	$ 8,315,856	$7,516,597
Budget vs. Actual Financial Result		Surplus	$2,109,182

The Housing and Community Development Department's budgeted expenditures were $19.7 million, funded by $10.1 million in revenues and $9.6 million of GFC. Actual expenditures were $18.1 million, $1.6 million below budget, due to salary savings from vacancies of hard to fill positions. Revenues were $560,001 higher than anticipated as the result of process improvements in Building Services and Planning application review. Process improvements on Deposit Projects and Condition Compliance activities have resulted in staff time efficiency. Overall, the department ended the fiscal year with a GFC surplus of $2.1 million.

Human Resources

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	8,800,444	8,277,111	8,082,410
Interfund Reimbursements	(1,436,251)	(1,451,097)	(1,203,953)
Cost Plan Credits	(6,551,149)	(6,551,149)	(6,551,149)
Adjusted Exp	813,044	274,865	327,309
Total Rev	-	-	1,485
Expenditures - Revenues	$ 813,044	$ 274,865	$325,823
GFC	$ 813,044	$ 274,865	$325,823
Budget vs. Actual Financial Result		Surplus	$487,221

The Human Resources Department's expenditures were budgeted at $8.8 million financed by $6.6 million in cost plan credits, $1.4 million in interfund transfers, and $813,044 in GFC. Actual expenditures were $8.1 million and interfund transfers were $1.2 million (with no change in actual cost plan credits), resulting in a GFC surplus of $487,221 due mainly to salary savings generated by vacancies throughout the year.

Information Technology

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	32,042,916	31,867,211	34,114,220
Interfund Reimbursements	(8,367,557)	(9,694,959)	(10,767,327)
Intrafund Reimbursements	-	-	(140,913)
Cost Plan Credits	(20,355,560)	(20,355,560)	(20,355,560)
Adjusted Exp	3,319,799	1,816,691	2,850,420
Total Rev	550,000	624,171	2,063,600
Expenditures - Revenues	$ 2,769,799	$ 1,192,521	$786,819
GFC	$ 2,769,799	$ 1,192,521	$786,819
Budget vs. Actual Financial Result			$1,982,980
Surplus Transferred to ITD Assignment Fund			-$1,554,130
Adjusted Surplus		Surplus	$428,850

The Information Technology Department (ITD) budgeted expenditures were $32.0 million, financed by $20.4 million in cost plan credits, $8.4 million in interfund reimbursements, revenues of $550,000, and GFC of $2.8 million.

Actual expenditures were $34.1 million, funded by offsetting interfund reimbursements of $10.8 million and actual revenues of $2.1 million, all better than the budgeted amounts. The increase in revenues is due to unbudgeted reimbursements for communication services and emergency services, additional franchise fee income, and unbudgeted ARPA revenue. Additionally, $428,850 in revenues received are for restricted use, and those funds were not transferred to a restricted fund prior to the year end.

The Department used a GFC of $786,819 compared to the $2.8 million budgeted, recognizing a preliminary surplus of nearly $2.0 million. Of ITD's surplus, $1.55 million has been designated to the ITD Assignment to support future departmental capital projects, resulting in an adjusted surplus of $428,850. This surplus amount represents the revenues that the Department will restrict for Public, Educational, and Governmental communication access services.

Probation

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	67,781,896	66,270,589	61,638,343
Interfund Reimbursements	(408,819)	(408,819)	(408,819)
Intrafund Reimbursements	-	(15,476)	(19,006)
Adjusted Exp	67,373,077	65,846,294	61,210,518
Total Rev	42,162,665	41,078,971	36,039,309
Expenditures - Revenues	$ 25,210,412	$ 24,767,323	$25,171,209
GFC	$ 25,210,412	$ 24,767,323	$25,171,209
Budget vs. Actual Financial Result		Surplus	$39,203

The Probation Department's total expenditures with interfund reimbursements were $61.2 million, $6.2 million below budget. Lower expenditures were due to $3.3 million in lower salary and benefit costs from vacancies driven by retirements, separations, and ongoing recruiting challenges. Vacancies were primarily composed of public safety officer positions located in the juvenile facilities, adult probation, and juvenile probation divisions. Reimbursements to other government agencies, capital improvements, and software technology upgrades were all less than budget leading to $1.7 million in savings. Lower services and supplies costs of $1.2 million were primarily due to lower than anticipated professional service activities for the State reimbursable Public Safety Realignment and Juvenile Realignment programs.

Actual revenues were $36.0 million, $6.1 million below budget. The lower-than-budgeted revenues were primarily driven by decreased reimbursable staffing costs for Public Safety Realignment programs, less than anticipated State and Federal reimbursable expenditures in mandated programs attributed to vacancies and later than planned start-ups for project implementations, and a reduced amount of State collected Public Safety sales tax.

Probation budgeted GFC of $25.2 million and utilized $25.2 million, ending the year with a slight GFC surplus of $39,203.

Public Defender

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	19,624,201	19,664,593	19,238,825
Interfund Reimbursements	(431,996)	(478,742)	(441,384)
Adjusted Exp	19,192,205	19,185,851	18,797,441
Total Rev	4,200,060	4,419,405	4,457,160
Expenditures - Revenues	$ 14,992,145	$ 14,766,445	$14,340,282
Use of Restricted FB	(211,626)	(211,626)	-
Transferred to Restricted Fund Balance	-	-	147,461
Fund Balance Adjustments	$ (211,626)	$ (211,626)	147,461
GFC	$ 14,780,519	$ 14,554,819	$14,487,743
Budget vs. Actual Financial Result		Surplus	$292,776

The Public Defender’s actual expenditures totaled $19.2 million, which was $385,376 below budget. Expenditure savings were primarily attributable to salary savings from staff vacancies and unused appropriations for services that were budgeted but not expended under grant and State-funded programs.

Year-end actual revenue totaled $4.5 million, exceeding budget by $257,100. The variance was primarily due to revenue received for the Public Defense Pilot Program that was budgeted as restricted fund balance but recognized as revenue instead and reimbursement received from the State Prison for expert services rendered during FY 2023–24.

The adopted budget included the planned use of restricted fund balance (FB) to support specific program activities. However, these restricted funds were instead received and recognized as current-year revenue ($444,827), resulting in higher actual revenues. The department transferred a net amount of $147,461 in collected but unspent restricted revenue from the Public Defense Pilot Program (PDPP) and the Care Court Grant to restricted fund balance. Due to the lower expenditures and better than anticipated revenue, the department concluded the fiscal year with a General Fund Contribution (GFC) surplus of $292,776.

Public Works, Facilities and Parks

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	47,165,655	43,852,555	40,365,332
Interfund Reimbursements	(4,823,169)	(4,903,640)	(4,487,741)
Intrafund Reimbursements	(6,796,234)	(6,568,016)	(5,592,363)
Cost Plan Credits	(11,351,867)	(11,351,867)	(11,351,867)
Adjusted Exp	24,194,385	21,029,031	18,933,361
Total Rev	4,395,186	4,519,853	5,205,497
Expenditures - Revenues	$ 19,799,199	$ 16,509,178	$13,727,864
Use of Restricted FB	-	-	(40,000)
AB102 Grant Revenue	(3,155,412)		
Fund Balance Adjustments	$ (3,155,412)	$ -	$ (40,000)
GFC	$ 16,643,787	$ 16,509,178	$13,687,864
Budget vs. Actual Financial Result		Surplus	$2,955,923

The Public Works, Facilities and Parks Department's (PWFP) expenditures were budgeted at $47.2 million, while actual expenditures totaled $40.4 million, or $6.8 million below budget, with major variances as follows:

- $4.3 million in delayed expenditures/ or construction (or whatever best explains this) to Pajaro Mansion Project funded by $1.4 million of strategic reserve funds and $2.9 million of AB 102 funds allocated for the Pajaro Mansion project. The department will request these funds be reappropriated in FY 2025-26 to complete the project.
- $1.4 million expenditure reduction in Fleet offset by lower Inter/Intra reimbursements.

Revenues were budgeted at $4.4 million, while actuals were $5.2 million, exceeding the budget by $0.8 million, due to the insurance reimbursement for Pajaro Storm Damage claims. The department table reflects an adjustment for $3.1 million of AB 102 grant revenue that was erroneously left out of the mid-year modification, resulting in an overstated budgeted GFC. Overall, PWFP budgeted GFC of $16.6 million (after the adjustment) and utilized $13.7 million, ending the year with a surplus of $3.0 million.

Sheriff-Coroner

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	159,549,672	156,413,895	157,847,216
Interfund Reimbursements	(140,000)	(140,560)	(31,695)
Intrafund Reimbursements	-	(1,456)	(37,956)
Adjusted Exp	159,409,672	156,271,880	157,777,565
Total Rev	52,728,435	53,595,448	50,857,695
Expenditures - Revenues	$ 106,681,237	$ 102,676,432	$106,919,870
Use of Restricted FB	(240,000)	(240,000)	(1,229,198)
Transferred to Restricted Fund Balance	-	-	180,280
Fund Balance Adjustments	$ (240,000)	$ (240,000)	-1,048,918
GFC	$ 106,441,237	$ 102,436,432	$105,870,951
Budget vs. Actual Financial Result		Surplus	$570,286

The Sheriff's Office ended the year with $157.8 million of expenditures, $1.6 million under budget. The Sheriff's Office worked diligently to reduce expenditures and lessen the need for general fund dollars. The lower expenditures were driven primarily by a reduction in equipment maintenance costs, as well as outpatient and medical service costs.

Year-end revenues for the Sheriff's department were $50.9 million, $1.9 million under budget. Lower revenues were due to delays in FEMA reimbursements related to the FY 2023 floods, a reduction in POST reimbursements, and a reduction in special event billing. Overall, the Sheriff's Office had a budgeted GFC of $106.4 million but utilized $105.9 million. The office ended the fiscal year with a GFC surplus of $0.6 million after using $1 million of restricted fund balance and $1.3 million from the compensated absences assignment.

Social Services

	Final Budget	Year-End Estimate	2024-25 Actual
Total Exp	276,441,802	282,138,448	265,629,407
Interfund Reimbursements	(281,996)	(797,761)	(784,317)
Intrafund Reimbursements	(1,308,785)	(948,030)	(858,048)
Adjusted Exp	274,851,021	280,392,657	263,987,042
Total Rev	248,234,870	253,073,543	247,491,765
Expenditures - Revenues	$ 26,616,151	$ 27,319,114	$16,495,277
Use of Restricted FB	(3,729,331)	(3,462,055)	(1,841,077)
Transferred to Restricted Fund Balance	-	-	3,028,057
Fund Balance Adjustments	$ (3,729,331)	$ (3,462,055)	1,186,979
GFC	$ 22,886,820	$ 23,857,059	$17,682,256
Budget vs. Actual Financial Result		Surplus	$5,204,564

The Department of Social Services' (DSS) year-end expenditures totaled $264.0 million, $10.9 million below budget. Key factors of the decrease in expenditures include:

- $6.6 million of lower salary and benefit costs resulting from staff vacancies due to a County hiring freeze and other hiring challenges;
- $2 million reduction in contract payments in the Community Programs budget related to implementation delays with Project HomeKey and lower Share Center costs to the County as the City of Salinas trued-up their share of the cost;
- $0.6 million lower expenditures in the Area Agency on Aging unit due to delays in spending the Age Wise grant, which will be shifted to FY 2025-26; and
- $1.2 million of lower expenditures for entitlements associated with CalWorks public assistance and foster care related costs.

Year-end revenues totaled $247.5 million, which are $0.7 million below budget. Although the department had delayed revenues of $7.7 million that were not received by the fiscal year accrual deadline and will be recognized in FY 2025-26, the department was able to use realignment funding where appropriate for any funding gaps that would have caused a budget impact to the General Fund. Additionally, revenue that was delayed in the prior year in the amount of $6.4 million was collected in FY 2024-25. The delayed revenue caused a deficit in the prior year, and an amount equal to that of the delayed revenue was intended to be returned to the General Fund in the form of a surplus in the current year. However, budget constraints in the current year led to the approval to use approximately $0.4 million of the intended surplus. Additionally, an unanticipated transfer of $1.2 million of restricted cash to a restricted fund balance further reduced the expected surplus. Due to the additional revenue collection from prior year and the additional funds transferred to restricted fund balance, the actual GFC utilized was $17.7 million compared to the $22.9 million budgeted, resulting in a surplus of $5.2 million.

Treasurer-Tax Collector

	Final Budget		Year-End Estimate	2024-25 Actual
Total Exp	11,897,184		10,255,050	9,397,187
Interfund Reimbursements	-		(6,328)	(40,800)
Intrafund Reimbursements	(893,113)		(779,921)	(750,970)
Cost Plan Credits	(1,746,577)		(1,746,577)	(1,746,577)
Adjusted Exp	9,257,494		7,722,224	6,858,840
Total Rev	9,011,649		7,862,528	8,282,946
Expenditures - Revenues	$ 245,845	$	(140,304)	-$1,424,106
GFC	$ 245,845	$	(140,304)	-$1,424,106
Budget vs. Actual Financial Result			Surplus	$1,669,951

The Treasurer-Tax Collector's year-end expenditures total $6.9 million, underspending appropriations by approximately $2.4 million. The lower level of expenditures primarily resulted from a combination of vacancies and conservative spending. Actual revenue of $8.3 million ended the year $728,703 below budget. This was due to lower levels of reimbursable expenditures caused by the continued impact of Assembly Bill 177 and Assembly Bill 199, which vacated many court-ordered fines and fees previously collected by the department. The loss of this funding was partially mitigated by the receipt of $581,839 in state backfill funds, and recoupment of $581,839 in prior year deferred backfill funds, however the department was unable to fully realize budgeted revenue. The Treasurer-Tax Collector recognized a positive ending GFC balance of $1,669,951 primarily due to reduced expenditures and backfill funds provided by the State.

OTHER MAJOR FUNDS

Note: Budget and Year-End Estimated Beginning* and Ending Fund Balances contain assigned funds, which are not included in Actuals and will therefore not be included in future report balances.*

Road Fund

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$26,682,096	$26,682,096	$26,682,096
Revenue	70,502,429	62,439,232	65,272,240
Total Financing Sources	**97,184,525**	**89,121,328**	**91,954,336**
Expenditures	87,364,569	80,394,944	71,490,499
Total Financing Uses	**87,364,569**	**80,394,944**	**71,490,499**
Ending Fund Balance **	$9,819,956	$8,726,384	$20,463,837

Road Fund expenditures were budgeted at $87.4 million (including $4.4 million for the continuation of storm recovery projects). Actual expenditures totaled $71.5 million, or $15.9 million below budget, largely due to the delay of twelve construction projects. Revenues were budgeted at $70.5 million, and actual revenues were $65.3 million, or $5.2 million less than budget, primarily due to delays in projects funded by State and Federal aid.

The Road Fund is projected to end with a positive fund balance of $20.5 million, which is $10.6 million higher than originally estimated with the budget. The increase is primarily attributed to the Road Fund's revenue and transfer in of $9.2 million from General Fund Strategic Reserve for winter storms.

Library Fund

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$9,948,802	$9,948,802	$9,948,802
Revenue	12,250,446	12,441,108	13,446,737
Total Financing Sources	**22,199,248**	**22,389,910**	**23,395,539**
Expenditures	14,212,669	12,537,547	12,242,181
Total Financing Uses	**14,212,669**	**12,537,547**	**12,242,181**
Ending Fund Balance **	$7,986,579	$9,852,364	$11,153,359

The Monterey County Free Libraries (MCFL) final budget included $14.2 million in appropriations, $12.3 million in revenue, and planned fund balance use of $2.0 million. Actual expenditures were $12.2 million, or $2.0 million below budget, mainly due to lower salary and benefit expenditures due to vacancies and lower equipment, computer, and other expenses that were delayed due to capital projects that were not completed during the fiscal year. The projects that had delayed expenditures include San Lucas Library landscaping project, South Bookmobile purchase, Greenfield Library roof project and the Big Sur ramp/porch/ new entry project.

Revenues were $13.5 million, or $1.2 million higher than budget, primarily due to higher property taxes due to strong assessments. Other revenue sources like interest income and state aid, were also higher than budget. The Library ended the year with a net gain of $1.2 million, and fund balance ended at $11.2 million. The Library plans to utilize fund balance to cover the cost of several facility projects in the current fiscal year as well as next budget year.

Behavioral Health

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$30,142,039	$30,142,039	$30,142,039
Revenue	186,283,601	175,518,468	185,841,842
Total Financing Sources	**216,425,640**	**205,660,507**	**215,983,881**
Expenditures	194,669,083	182,598,989	186,947,251
Total Financing Uses	**194,669,083**	**182,598,989**	**186,947,251**
Ending Fund Balance **	$21,756,557	$23,061,518	$29,036,630

Total Behavioral Health Fund expenditures for FY 2024–25 totaled $186.9 million, or $7.7 million below the adopted budget. The variance is primarily attributable to a $1.5 million reduction in expenditures within the Whole Person Care Program, resulting from the availability of alternative funding sources to support program implementation during the fiscal year. Additionally, other expenditures decreased by a net $6.2 million, driven by a $10 million reduction in Construction in Progress costs associated with the Mental Health Rehabilitation Center project, partially offset by a $3.8 million increase in expenditures for acute mental health providers.

Total Behavioral Health Fund revenues for FY 2024–25 totaled $185.8 million, or $442,000 below the adopted budget. Behavioral Health realized an increase of $8.4 million in Mental Health Services Act (MHSA) revenues, primarily due to a higher-than-anticipated FY 2022–23 true-up. In addition, Medi-Cal revenues increased by $19.9 million, reflecting, in part, the recognition of prior-year revenues during the current fiscal year. These revenue gains were offset by a decrease in Operating Transfers In from 1991 and 2011 Realignment funds.

The ending balance for Behavioral Health Fund increased by approximately $7.2 million from $21.8 million to $29.0 million.

Emergency Communications

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$2,912,230	$2,912,230	$2,912,230
Revenue	14,797,537	14,657,896	14,861,671
Total Financing Sources	**17,709,767**	**17,570,126**	**17,773,901**
Expenditures	15,303,091	14,676,684	14,805,895
Total Financing Uses	**15,303,091**	**14,676,684**	**14,805,895**
Ending Fund Balance **	$2,406,676	$2,893,442	$2,968,006

The Emergency Communications Department operates in Special Revenue Fund 028 to provide Dispatch and Call Taking services to 12 Cities, three Fire Districts and the County Sheriff and Probation Departments. Year-end expenditures were $14.8 million or $497,196 below budget. Lower expenditures were driven by lower than anticipated hiring and training resulting from a decision to run smaller training academies to increase retention, savings from renegotiated vendor agreements, delayed radio equipment purchases and the decision to delay a department-wide study to the following fiscal year.

Year-end revenues were $14.9 million or $64,134 over budget. Higher revenues were primarily due to favorable investment income on the Department's cash balance. Additional General Fund transfers occurred in FY 2024-25 to cover below budget prior year Public Safety Sales Tax.

Ending fund balance is $3.0 million, or $561,330 higher than budgeted. It is anticipated that the surplus funds will be used to offset the charges to the Department's public safety user agencies for FY 2026-27 and the use of these funds will be recommended by the Department's Executive Board. The Department did not contribute any funding to its Reserve with the Reserve balance staying unchanged at $2.4 million.

Natividad Medical Center

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$374,497,547	$374,497,547	$374,497,547
Revenue	440,185,028	600,632,056	543,992,733
Total Financing Sources	**814,682,575**	**975,129,603**	**918,490,280**
Expenditures	426,455,576	587,178,597	655,753,212
Total Financing Uses	**426,455,576**	**587,178,597**	**655,753,212**
Ending Fund Balance **	$388,226,999	$387,951,006	$262,737,068

Natividad Medical Center ended FY 2025 with total revenue of $543.9 million and expenses of $655.6 million on a cash reporting basis. After eliminating $118.2M of expenses for an internal transfer to Capital fund 404, NMC had an operating income of $6.4 million.

NMC reports revenues and expenses on an accrual basis and ended the year with operating revenues of $438.2 and $436.3 million in expenses. Natividad Medical Center's net income of $1.9 million was higher than budget by $508k. Expenditures were higher than budget due to an increase of $17.5 million over budget in salaries and benefits, registry, purchased services, supplies and insurance expenses. The higher expenses are offset by increased revenues of $18.0 million driven by higher actual interest rates and income.

Natividad Medical Center's enterprise fund ended the year with $111.7 million lower than budget of $388.2 million due to the internal capital transfers.

Parks Lake &Resort Operations

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$3,319,861	$3,319,861	$3,319,861
Revenue	7,774,684	8,057,934	7,166,444
Total Financing Sources	**11,094,545**	**11,377,795**	**10,486,304**
Expenditures	7,687,823	8,279,541	4,068,589
Total Financing Uses	**7,687,823**	**8,279,541**	**4,068,589**
Ending Fund Balance **	$3,406,722	$3,098,254	$6,417,716

Park Lake & Resort expenditures were budgeted at $7.7 million, while actuals were $4.1 million, or $3.6 million below budget, primarily due to $3.3 million in capital expenditures for Lake projects being capitalized as depreciable assets and an additional $0.3 million saved through tighter control over operational costs.

Revenues were budgeted at $7.8 million, while actuals were $7.2 million, or $0.6 million lower than budget. This is primarily due to delays in the lodge renovation project, limiting rooms and cabin revenues.

Ending fund balance is $6.4 million, an increase of $3.0 million from the estimated fund balance based on budget. The increase is due to the capitalized assets, held as fixed assets within the net position.

Laguna Seca

	Final Budget	Year-End Estimate	2024-25 Actual
Beginning Fund Balance *	$31,130,455	$31,130,455	$31,130,455
Revenue	22,587,817	2,673,234	2,883,821
Total Financing Sources	**53,718,272**	**33,803,689**	**34,014,276**
Expenditures	23,984,364	4,962,149	4,578,478
Total Financing Uses	**23,984,364**	**4,962,149**	**4,578,478**
Ending Fund Balance **	$29,733,908	$28,841,540	$29,435,799

Laguna Seca Recreation Area (LSRA) expenditures were budgeted at $24.0 million, while actuals were $4.6 million, or $19.4 million below budget. Similarly, revenues were budgeted at $22.6 million, and actuals were $2.9 million, or $19.7 million under budget. This is the result of the transition of LSRA management to Friends of Laguna Seca (FLS) under a long-term concession agreement, beginning August 1, 2024. FLS now retains all operating revenues and is solely responsible for all operational expenses of LSRA.

As a result, the Net Position is reduced by $1.7 million, due to County's ongoing overhead expenses - depreciation, insurance and legal expenses.