



County of Monterey FY 2019-20 Budget End of Year Report (BEYR)

County Administrative Office

Board of Supervisors Meeting November 17, 2020



Recommended Actions

- Receive and accept the Budget End-of-Year Report for FY 2019-20 from the County Administrative Office.
- Authorize and direct the Auditor-Controller to amend the FY 2020-21 adopted budget to increase appropriations in CAO-Building Improvement and Replacement (478-CAO047-1050-8539-7614) by \$269,980 to allow for an operating transfer out to the Water Resources Agency, financed by \$269,980 in fund balance, fund 478, sub fund BIR (4/5th vote required).
- Authorize and direct the Auditor-Controller to transfer \$269,980 from the CAO-Building Improvement and Replacement budget (478-CAO047-1050-8539-7614) to the Water Resource Agency (111-WRA001-9300-8267-5940).



FY 2019-20 End of Year Results Favorable

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Unassigned Fund Balance (FY 2018-19)	\$ 1.3	\$ 2.1	\$ 2.4
Cancellation - Restricted Fund Balance	4.6	5.1	5.5
Cancellation - Assigned Fund Balance	11.7	23.9	12.9
Revenues	669.8	681.3	647.2
Total Financing Sources	687.5	712.4	667.9
Financing Uses:			
Addition - Restricted Fund Balance	\$ -	\$ -	\$ 6.9
Addition - Assigned Fund Balance	-	-	19.3
Addition - Strategic Reserve	-	-	0.5
Expenditures	687.5	712.4	640.2
Total Financing Uses	687.5	712.4	666.9
Unassigned Fund Balance:	0.00	-	1.0
Obligated in FY 2020-21 ¹			(0.6)
Estimated Unassigned Fund Balance:	0.0	-	0.4

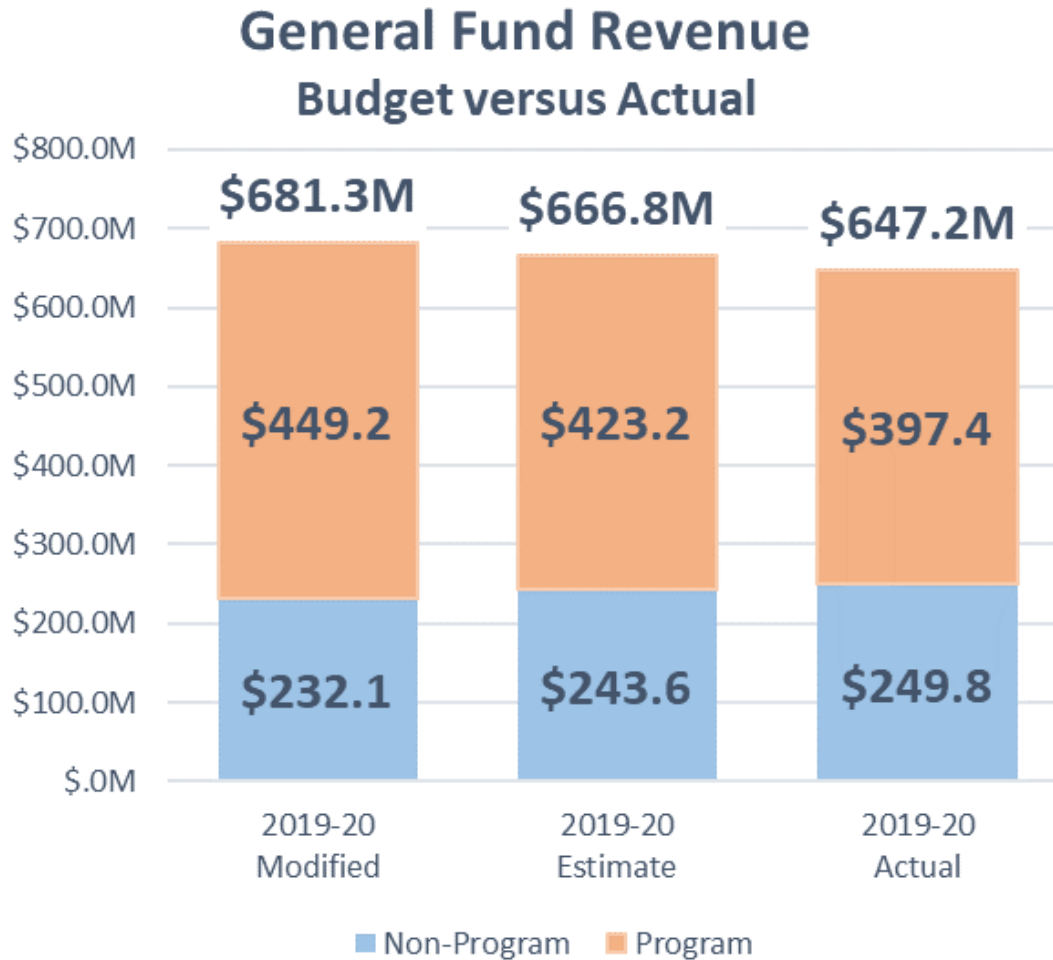
Dollars shown in millions. Numbers may not total due to rounding.

¹\$0.6 million in FY 2018-19 unassigned fund balance was utilized to balance the FY 2020-21 Adopted Budget.

- Unaudited Results
- Adding \$0.5 million to fully fund 10% strategic reserve
- Both revenues and expenditures were below budget, but overall results were favorable by \$1 million for the fiscal year.
- Use of unassigned fund balance to balance the FY 2020-21 budget produce a modified FY 2019-20 final result of \$0.4 million.
- If CARES revenues had been accrued to FY 2019-20, results would have been better by an estimated \$8.5 million.



Revenue Performance

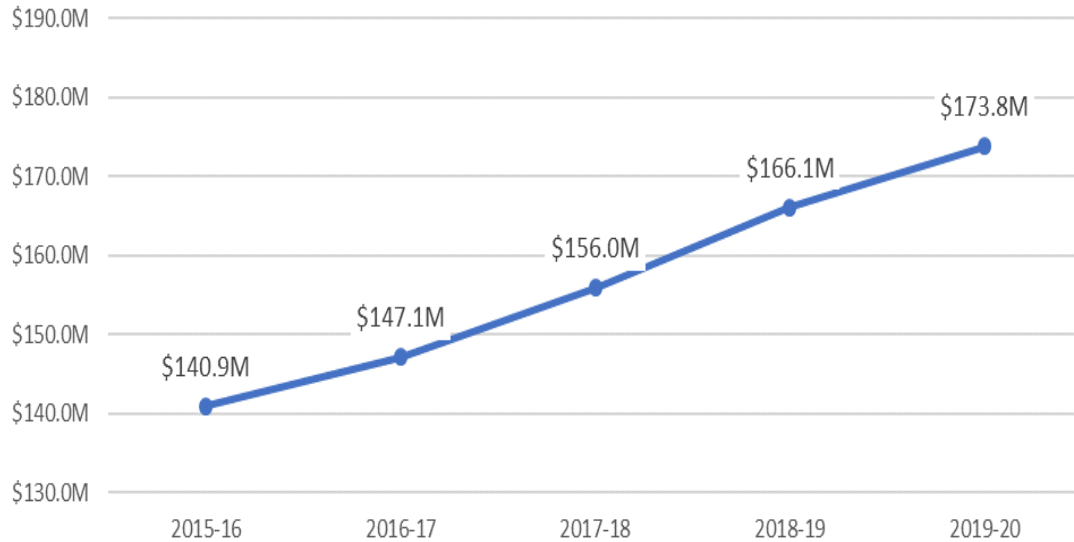


- Total Revenue Lower than budget by \$34.1 million
- Discretionary non-program revenue performed better than budget by \$17.8 million, of which \$11.4 was due to cannabis revenue
- Program revenue was \$51.8 million below budget. Primary drivers impacting program revenue shortfalls:
 - \$20 million in State and Federal Aid (lower caseloads in DSS)
 - \$16.3 million in realignment funds (pandemic influence on economy)
 - Health Fees \$6.8 million



Discretionary Non-Program Revenue

Property Tax Revenue



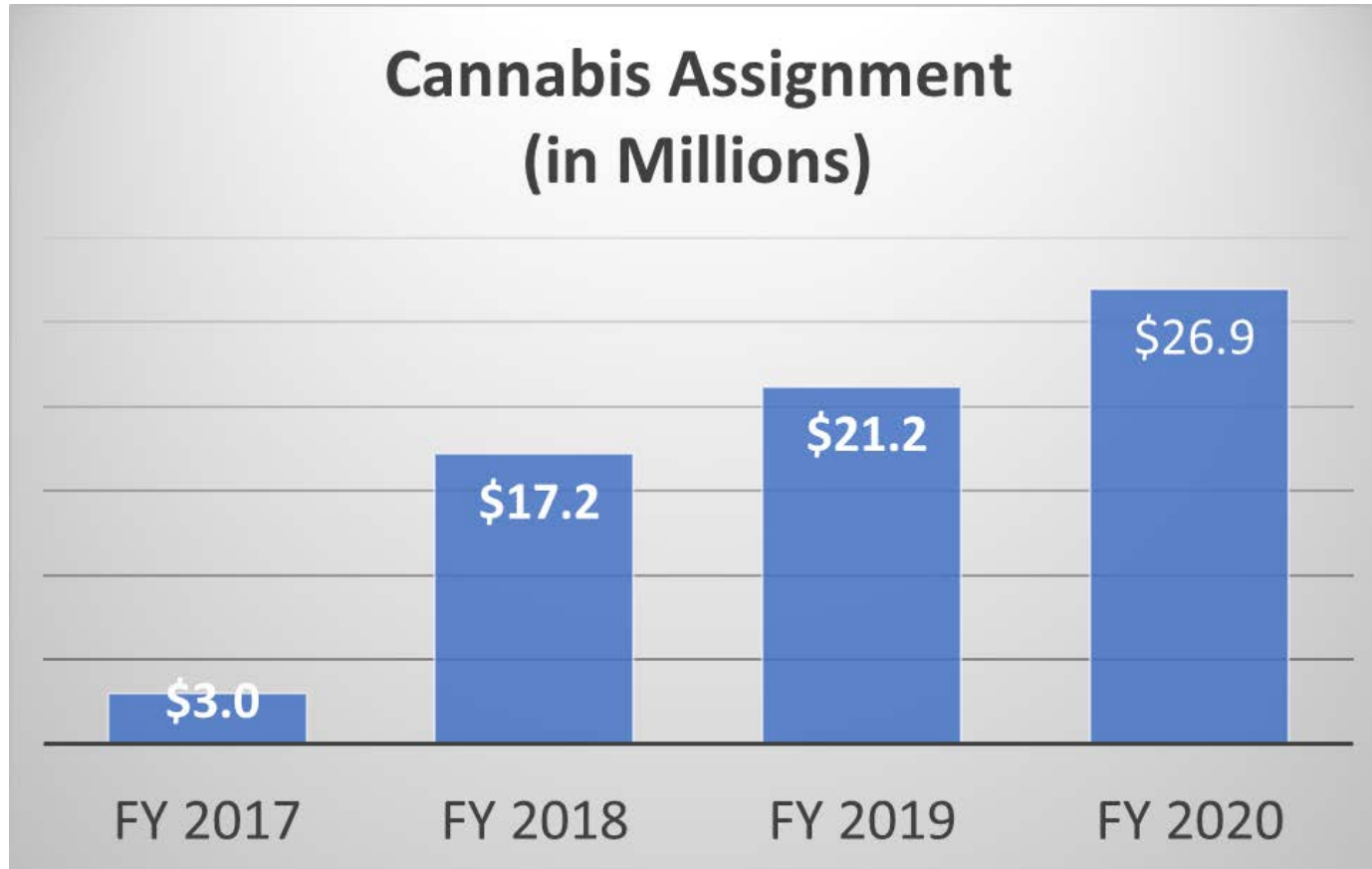
Transient Occupancy Tax (TOT) Revenue



- Property Tax Revenue continued to grow.
- Transient Occupancy Tax decreased, but decrease was not as pronounced as expected. Decrease is inflated due to US Open related revenue in FY 2018-19.



Non-Program Revenue - Cannabis

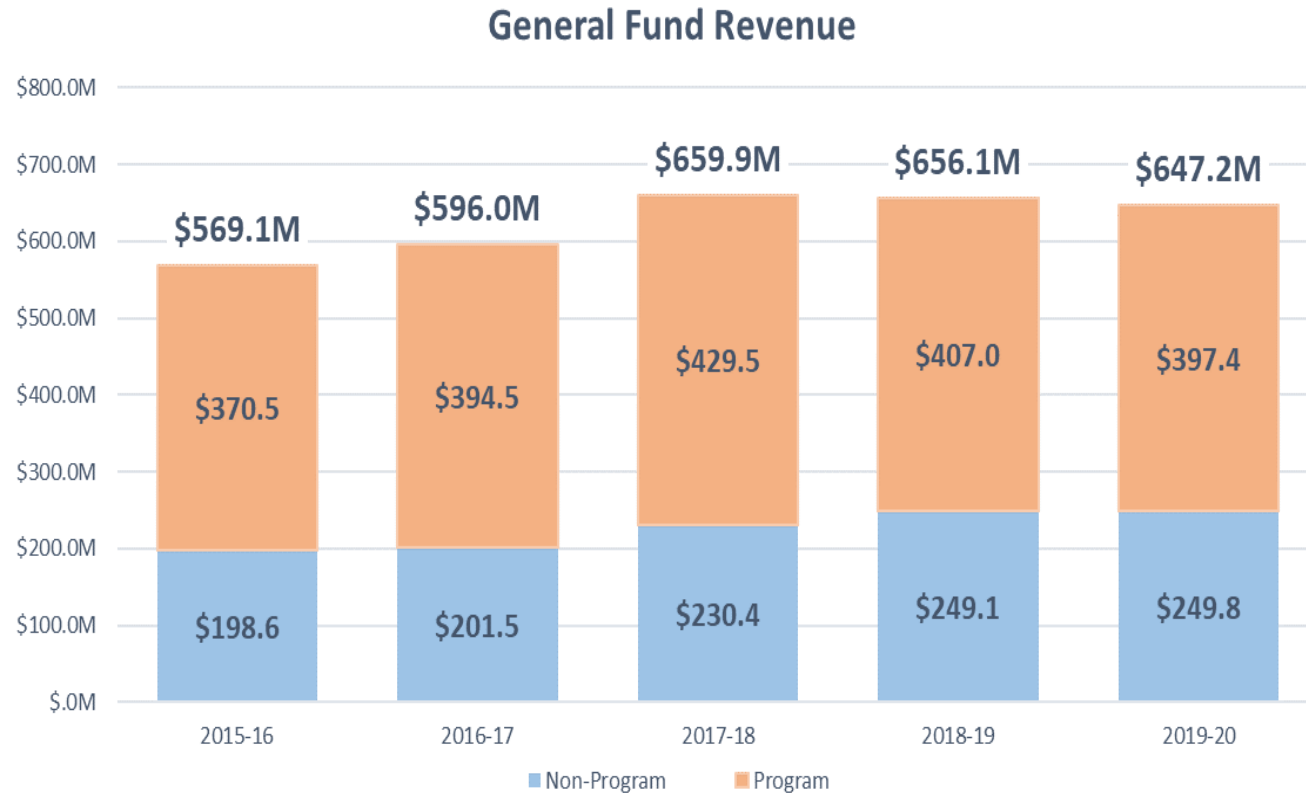


- Staff collected \$16.9 million in cannabis program revenue last fiscal year.
- Up to FY 2019-20, annual unused revenue is deposited into the cannabis fund balance “assignment” at year-end and is used for one-time needs as authorized by the Board.
- **Effective FY 2020-21**, annual cannabis revenue will be distributed as discretionary GFC to the Departments. This practice will be evaluated each FY.



General Fund Revenue Trend

- Revenue decreased by \$8.9 million over the previous year with primary change in program revenue
- Emergency Communications moved from General Fund to Fund 28, resulting in \$9.6 million decrease in revenue.
- Adjusting for this one-time event, revenue increased by \$0.7 million
- However trend from FY 2017-18 shows flattening of revenue





General Fund Expenditures

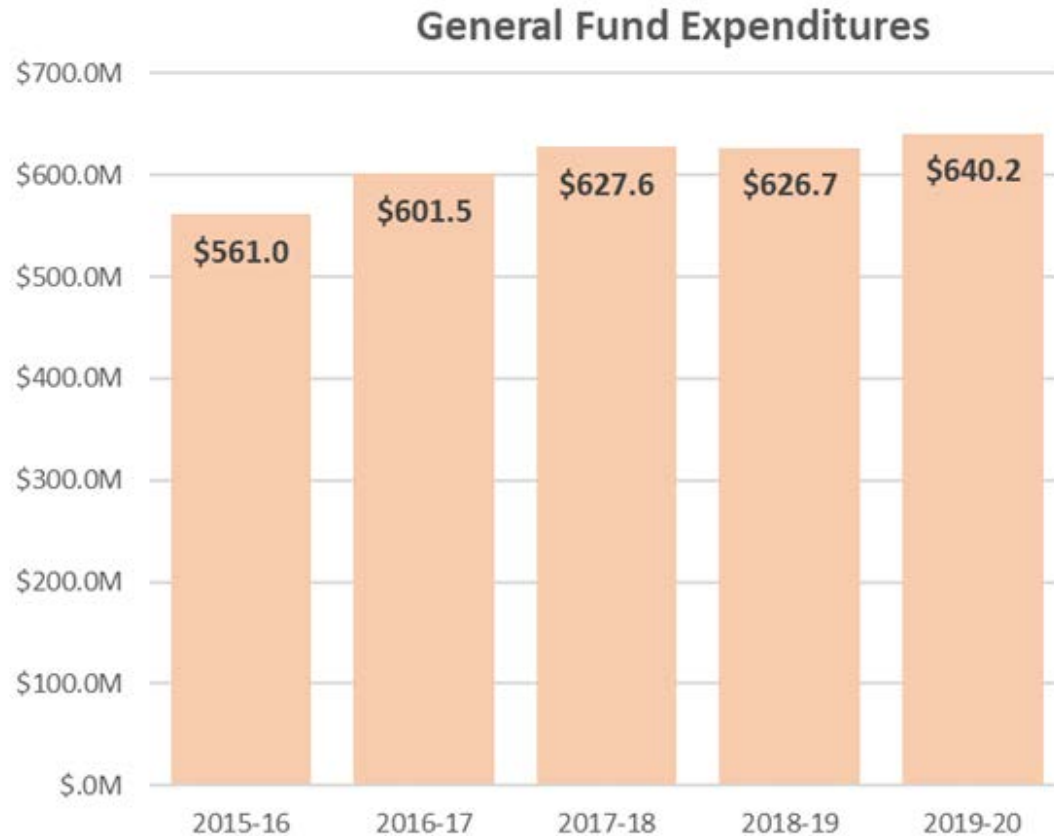
**General Fund Expenditures
Budget versus Actual**



- Expenditures were lower than budget by \$72.3 million.
- Primary areas include with lower expenditures include:
 - \$21.4 million in the CAO's Department (\$11.4 Laguna Seca and \$7.1 operating transfers).
 - \$18 million in Social Services (\$10.5 million entitlement programs, \$6.2 million salary savings)
 - \$16.8 million in the Health Department, with \$13.5 in salary savings as the main driver



General Fund Expenditure Trend

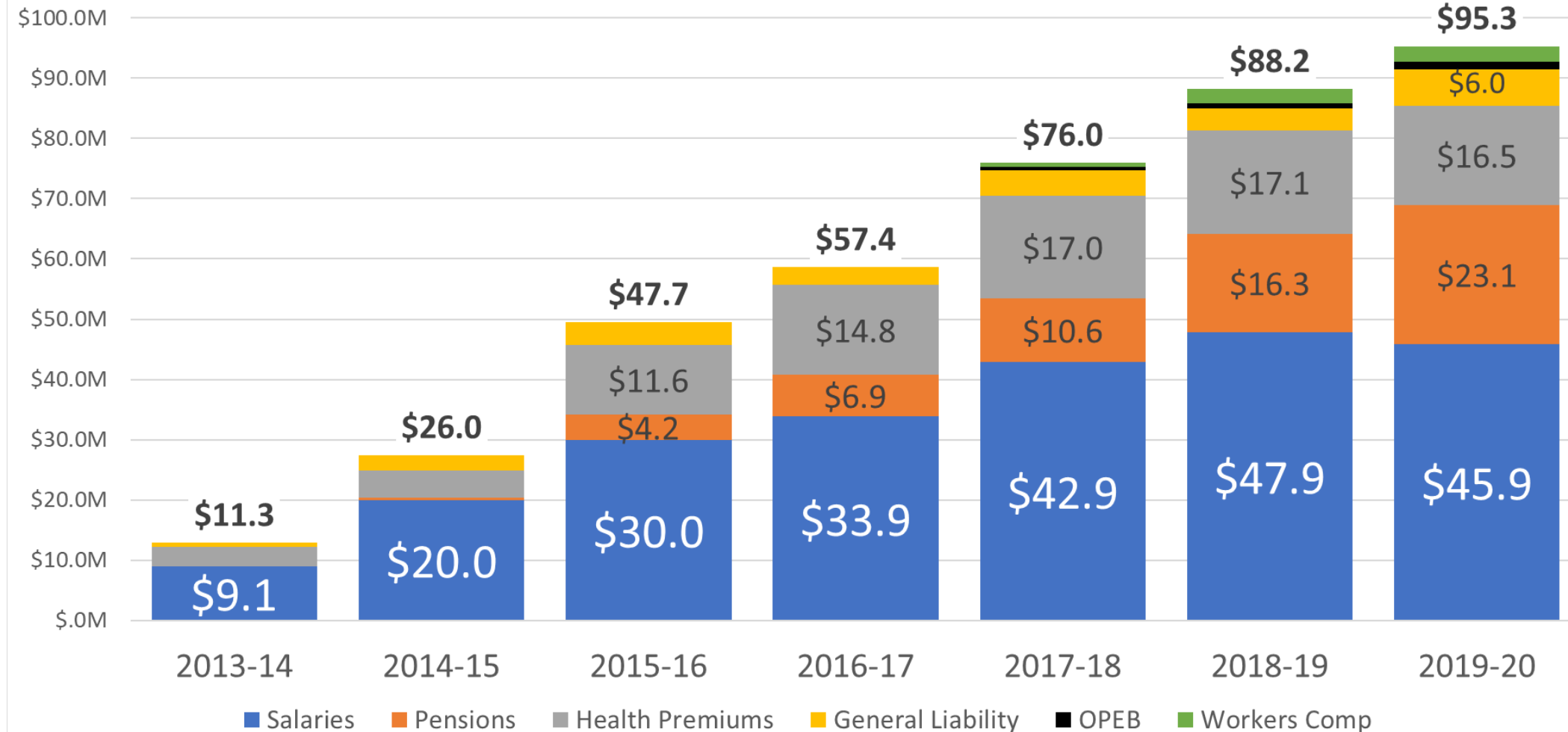


- Expenditures were higher than prior year by \$13.5 million. Trend continues to show growth in expenditures year over year while revenues show a flattening trend.
- Major areas of cost increases include:
 - \$9.5 million in social services programs.
 - \$5.1 million in trials expenses, equipment, supplies, leases, and health services.
 - \$3.4 million in personnel costs



General Fund Cost Drivers

General Fund Cost Drivers - Cumulative

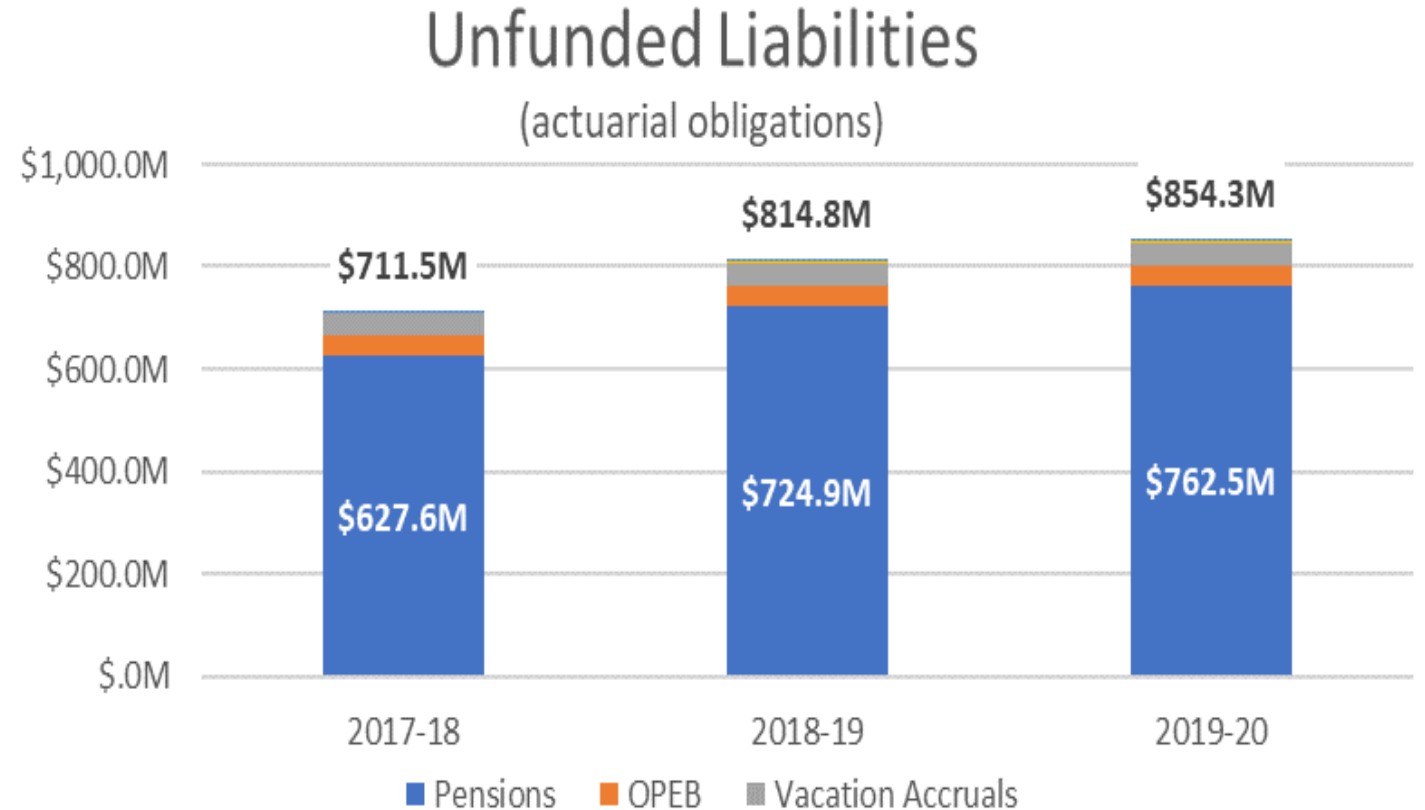


- 156.5 new FTE since 2013-14
- Pensions and health care costs continue to grow
- General Liability and worker's compensation costs are also growing
- Health premiums decreased – ECD transfer to fund 28



Unfunded Liabilities – Long Term Impact

- Unfunded Liability: the present value of funds available to pay accrued liabilities (based on actuarial reports)
- Pensions represent the County's largest unfunded liability
- Most recent increases in pension liability due to a change in the discount rate from 7.5% to 7% over a three-year period





COVID-19 Impact – CARES FY 2019-20

Department	COVID-19 Expenditures	CARES Act Eligible Expenditures
Agricultural Commissioner	12,409	15,508
Assessor/Clerk/Recorder	78,016	181,785
Auditor-Controller	111,106	111,106
Child Support Services	35,481	-
Civil Rights Office	2,169	2,169
County Administrative Office	2,079,742	1,163,791
County Counsel	231,697	255,647
District Attorney	529,577	533,359
Health	3,983,121	3,208,061
Human Resources Department	261,060	261,060
Information Technology Department	71,115	-
Probation	168,330	168,330
Public Defender	34,116	16,621
RMA	52,442	390,115
Sheriff	467,222	1,512,505
Social Services	1,643,991	488,012
Treasurer-Tax Collector	133,726	244,237
Total	9,895,318	8,552,306

- \$44.9 million allocated to the County for eligible expenses from March 1, 2020 to December 30, 2020
- All will be “booked” in FY 2020-21 due to accounting guidance from external auditor and concurrence from Auditor-Controller’s office
- \$8.5 million could have been accrued to FY 2019-20 which would have improved positive results for that FY



COVID-19 Impact – Program Revenue FY 2020-21

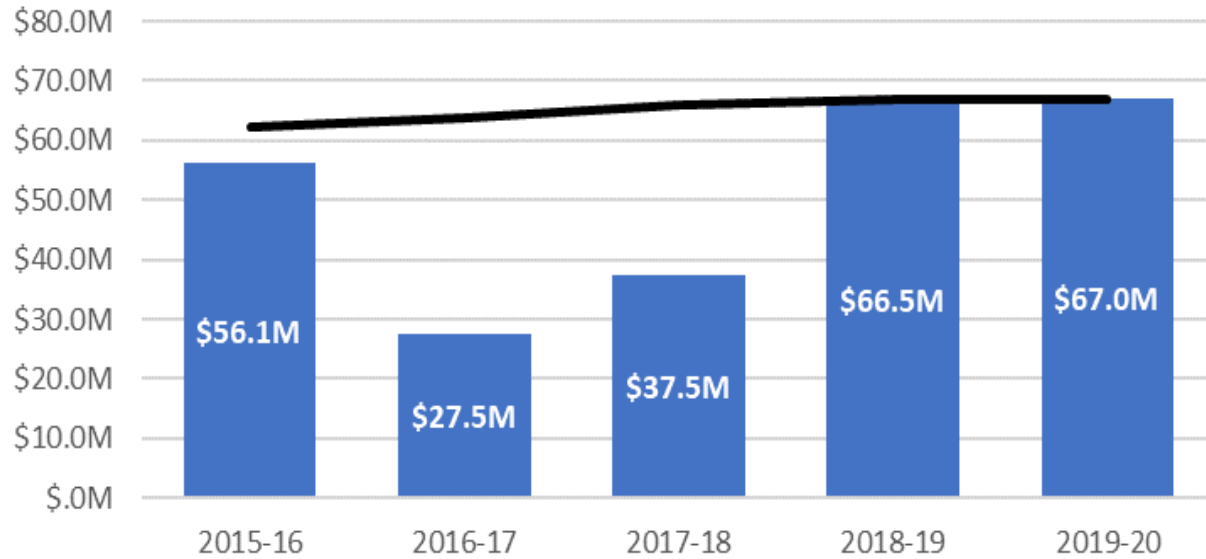
Fund - Department	(Reduction)/ Increase Amount
General Fund (001)	(10,888,505)
County Administrative Office	(151,328)
Assessor-Clerk Recorder	(160,328)
Elections	732,737
District Attorney	(525,056)
Public Defender	(7,646)
Sheriff	(1,024,306)
Probation	(364,598)
Resource Management Agency	(2,496,907)
Health	(5,735,758)
Social Services	(1,155,315)
Road Fund (002)	(2,269,343)
MC Free Library (003)	238,232
Local Revenue (022)	(3,204,302)
Probation	(2,678,767)
Social Services	(525,535)
Behavioral Health (023)	(1,437,218)
Health and Social Services (025)	(629,780)
Social Services	(629,780)
Emergency Communications (028)	(147,927)
Total	(18,338,843)

- Various departments identified revenue impacts as a result of the pandemic as illustrated in the table, for a total of \$18.3 million
- \$10.9 million in the General – a large portion could be covered by CARES related expenditures
- \$3.2 million in 2011 realignment
- \$2.3 million in the Road Fund
- \$1.4 million in Behavioral Health

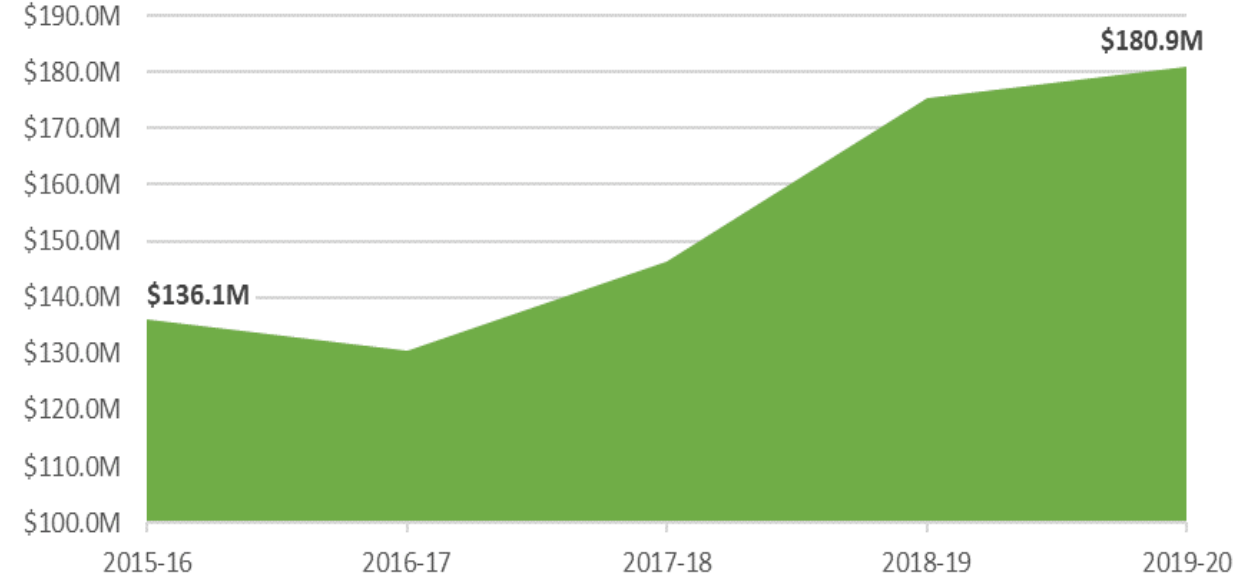


Fund Balance and Strategic Reserve

Strategic Reserve



Unrestricted Fund Balance



■ Strategic Reserve — Strategic Reserve Policy

- Strategic Reserve met the goal of 10% of GF revenues as set by Board Policy
- Unrestricted fund balance shows improvement over the last five fiscal years



Performance by Department- General Fund

- Thirteen Departments ended the year with positive results while eight ended the year over their budgeted General Fund Contribution for a net \$3.8 million positive result
- FY 2019-20 was an unusual year, many challenges created by the pandemic
- Departmental results would have been better if CARES revenue had been accrued in FY 2019-20
- Similarly, some revenue earned in FY 2019-20 was not received by end of accrual period (August 31, 2020)

Department	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to (Adjusted) Actual
Agricultural Commissioner	\$3,937,396	\$3,960,316	\$4,187,087	(\$226,771)	(\$249,691)
Assessor-County Clerk-Rec.	5,329,274	4,917,923	4,698,953	218,970	555,357
Auditor-Controller (Deptl)	1,391,177	1,245,300	659,772	585,528	731,405
Board of Supervisors	4,036,481	3,868,081	3,860,825	7,256	175,656
Child Support Services	(11,242)	0	324,439	(324,439)	(335,681)
Civil Rights Office	(120,753)	(127,922)	(178,221)	50,299	57,468
Clerk of the Board	864,627	744,021	732,068	11,953	132,559
Cooperative Extension Service	433,143	435,390	412,584	22,806	20,559
County Admin Office (Departl)	11,913,769	7,958,003	6,509,465	1,448,538	5,404,304
County Counsel	1,478,663	488,377	508,947	(20,570)	969,716
District Attorney	12,917,985	12,359,026	13,835,983	(1,476,957)	(861,752)
Elections	4,210,252	4,214,432	4,149,700	64,732	60,552
Health	14,044,995	10,594,068	11,055,899	(461,831)	(2,373,707)
Human Resources	(703,079)	(973,879)	(919,550)	(54,329)	216,471
Information Technology	5,992,063	5,315,569	3,516,837	1,798,732	2,159,486
Probation	24,188,296	24,287,442	24,336,852	(49,410)	(148,556)
Public Defender	14,478,571	14,442,358	13,925,716	516,642	552,855
Resource Management Agency	17,493,900	16,975,868	15,716,008	1,259,860	775,713
Sheriff-Coroner	75,201,132	75,918,063	75,182,862	735,201	(20,823)
Social Services	16,095,325	15,240,630	20,132,640	(4,892,010)	(3,588,243)
Treasurer-Tax Collector	236,425	309,066	642,271	(333,205)	(406,712)
General Fund Department Totals ¹	\$213,408,400	\$202,172,132	\$203,291,137	(\$1,119,005)	\$3,826,936



Other Funds

- The Road Fund ended the fiscal year with \$1.2 million higher than budgeted ending fund balance and \$7.1 million higher than the beginning fund balance. Both revenues and expenditures were below budget due to postponement of various projects and impacts from the pandemic.
- The Library Fund also ended the year with higher than budgeted ending fund balance by \$1.8 million due to lower expenditures resulting from a delay in capital projects (bookmobile purchase, Bradley and Parkfield Library, and Greenfield Library carpet installation).
- Behavioral Health Fund had a decrease in fund balance of \$2 million, with \$13.4 million earned in FY 2019-20 not received by the end of the accrual period.
- Emergency Communications ended the year with a fund balance of \$1 million. This is the first year of this fund. Financial activity was previously captured in the General Fund.



Other Funds - Continued

- Natividad Medical Center ended the year with a decrease in fund balance of \$4.9 million. Most of this reduction is a result of expenditures exceeding revenues during the fiscal year due to reduced patient volume as a result of the pandemic.
- The Parks and Lakes Resorts Fund ended the year with a decrease of \$470,279. Operating revenue was \$1.2 million under budget, while expenditures were \$1 million under budget. In addition to this operational imbalance, RMA requested \$933,633 during the Board of Supervisors meeting on October 20, 2020 to replenish the Lakes restricted funds which had been depleted in prior years.
- Water Resources Correction. COWCAP charges for facilities costs in the COWCAP was \$134,475 over actual costs. Due to Carryforward provisions of the COWCAP, the total amount water resources was overcharged is $\$134,475 \times 2 = \$269,980$.



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Questions