Monterey County Financial Forecast

February 2015

Introduction

The County Administrative Office is pleased to present the financial forecast for the County of Monterey. The forecast is the first step of the annual budget development cycle, which concludes with the adoption of a balanced budget by July 1, the beginning of the next fiscal year. To meet this timeline, staff conduct a comprehensive mid-year review of planned spending and anticipated revenues for the current year, budget year, and two additional out years. The result of this review is an assessment of the County's financial health and service capacity in the current year and beyond.

The 2015 Monterey County Board of Supervisors, as shown above, includes from left to right: Dave Potter (representing Carmel, Carmel Valley, Big Sur, Pacific Grove, Pebble Beach, Monterey, Hwy 68, Las Palmas); John M. Phillips (representing Aromas, Boronda, Castroville, Las Lomas, Moss Landing, North Salinas, Pajaro, Prunedale, and Royal Oaks); Simón Salinas (Chair, representing East Salinas, Spreckels, Chualar, Greenfield, Gonzales, Ft. Hunter Liggett, King City, Soledad, Lake San Antonio, South County); Fernando Armenta (representing most of urban Salinas); and Jane Parker (representing Del Rey Oaks, Marina, Sand City, Seaside, Southwest Salinas).

Development of this forecast is a cooperative effort between all departments and the County Administrative Office. The County Administrative Office projects countywide discretionary revenues, with input from the offices of the Assessor, Treasurer-Tax Collector, and Auditor-Controller. These subject matter experts provide insight on key economic indicators and conditions that may further influence the County's financial health, including assessed property valuations, property tax growth, transient occupancy tax trends, and County debt issues. Department heads and their staff provide critical expertise relevant to operational needs, estimated "program" revenues, and statutory requirements influencing their respective departmental forecasts. The County Administrative Office reviews and consolidates departmental forecasts into an overall financial analysis, including approaching years' funding assumptions and expenditure needs.

Approach and Assumptions

The forecast is neither a spending plan nor a projection of future policy or spending decisions at the federal, state, or local level. Rather, the forecast is an analysis of revenues and costs for existing levels of staffing and services within the context of current statutes and policies. The forecast includes employee salary and benefits changes as authorized under existing memorandums of understanding (MOUs) and scheduled employee step advances. The forecast also takes into consideration scheduled increases in PERS retirement rates and health insurance premiums. Revenue estimates are based on the most recent financial data and available information about federal and state funding levels. By comparing expenditures required to carry out existing operations to estimated resources, the forecast serves as a key financial management tool to guide the upcoming budget process and help preserve long-term financial stability.

Underlying the financial forecast is the assumption that the economy continues to recover through the forecast period. This assumption carries some level of risk. Since World War II, there have been 11 economic expansions, defined as the phase when the economy (i.e., gross domestic product) moves from trough to peak. The current economic expansion began 67 months ago in June 2009. In contrast, the previous 11 expansions lasted an average of 58 months and no expansion has lasted longer than 10 years. One could therefore reasonably assume the next contraction will come sometime between now and June 2019.

This forecast assumes continuation of moderate growth through 2017-18. There is the possibility that the expansion will strengthen and exceed expectations and there is at least equal risk of the next recession occurring within the forecast period. There is no shortage of geopolitical and economic developments currently underway that could potentially disrupt the current recovery. Given these threats, the County's prudent financial management practices seem appropriate for the current environment.

General Fund Highlights

	FY 2013-14	FY 2014-15			FY 2015-16	FY 2016-17	FY 2017-18
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Available Financing:							
Unassigned Fund Balance	$3.6	$0.0	$17.5	$17.5	$0.0	$0.0	$0.0
Cancellation of Assignments	7.2	8.7	8.7	4.4	0.0	0.0	0.0
Revenues	522.1	545.4	546.3	540.7	556.4	565.3	574.5
Total Financing Sources	$532.9	$554.1	$572.5	$562.6	$556.4	$565.3	$574.5
Financing Uses:							
Assignments	7.2	0.0	0.0	2.5	0.0	0.0	0.0
Expenditures	508.2	554.1	569.8	558.0	567.8	576.7	586.3
Total Financing Uses	$515.4	$554.1	$569.8	$560.5	$567.8	$576.7	$586.3
Unassigned Fund Balance	$17.5	$0.0	$2.7	$2.1	($11.3)	($11.4)	($11.8)

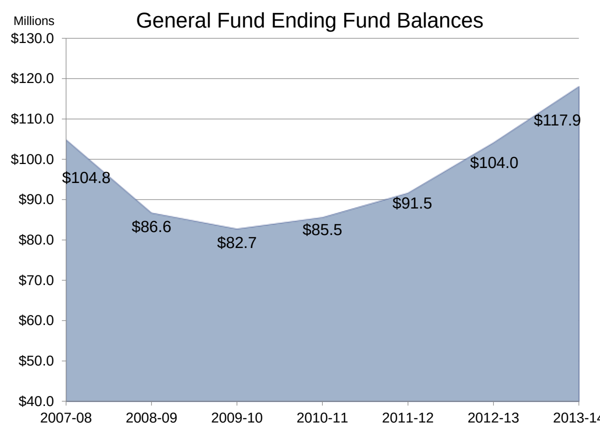
The table above summarizes general fund financial results for the prior fiscal year, current year, budget year, and two additional out years. Highlights include:

- **The general fund outperformed expectations by $13.9 million in the prior year**. The Auditor-Controller's recently released *Comprehensive Annual Financial Report (CAFR)* identifies an unassigned fund balance of $3.6 million at the beginning of the prior fiscal year and an ending unassigned fund balance of $17.5 million, representing a $13.9 million improvement. This improvement can be attributed to a County culture of conservative fiscal management, witnessed by the prudent financial policies adopted by the Board and continuing efforts of department heads to tightly manage their budgets and adjust operations to match revenue flows.

- **The general fund is expected to outperform expectations by $2.1 million in the current year**. Departments expect to end the current year with expenditures $11.8 million below budget as a result of their continued expenditure containment efforts. The estimated expenditure savings are enough to offset lower-than-expected revenues and still end the current year with an unassigned fund balance of $2.1 million, even after making important one-time investments.

- **Improvements in the general fund created opportunities for investments**. The County's positive performance in recent years allowed for strategic one-time investments in the current year. The largest of these investments was the $13.0 million cash purchase of the Schilling Place facilities. This purchase will provide critical space to run County operations and reduce County lease payments. Using one-time fund balance to purchase the new building also allows the County to avoid debt financing. In addition, the County Administrative Office recommends later in this report the use of current year savings to re-assign $1.3 million for operational contingencies (previously assigned funds used to finance actions taken during the last budget hearings) and to assign $1.2 million in emergency communications user agency contributions for infrastructure projects. This report also recommends using the remaining projected year-end fund balance of $2.1 million to fund maintenance and repairs to the Seaside branch of the County Library and to pay for operations and maintenance costs to prepare the new building to house County staff.

- **Cash Balances continue to improve**. Since the recession, the Board has strengthened financial policies to restore balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Under these policies, the County has invested year-end surpluses into shoring up its strategic reserve and other key investments. These investments have added to the County's ending fund balances each year, growing from $82.7 million in 2009-10 to $117.9 million at the end of last fiscal year. These strategic investments help prepare the County to weather the next recession and help pave the way for key infrastructure projects. A summary of ending fund balances and major investments of this fund balance for the general fund are identified in the charts to the right.

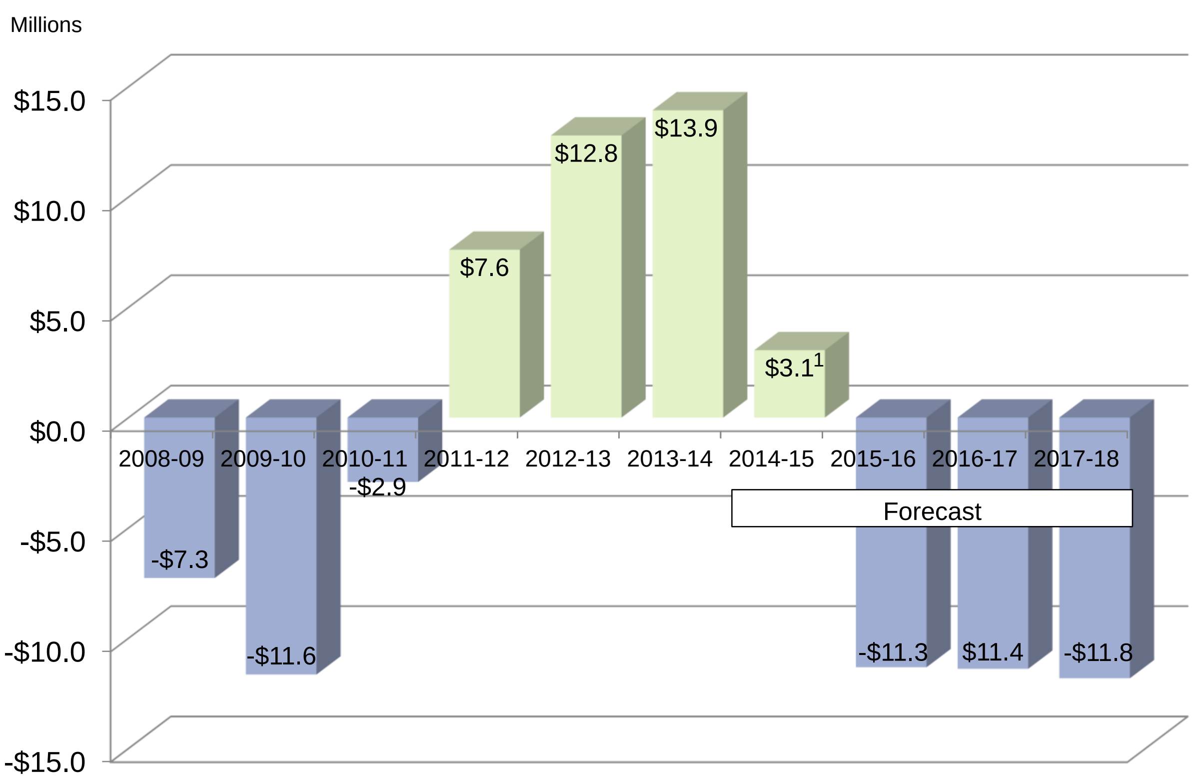


Major Assignments of Fund Balance	Adopted FY 2014-15 Amount
Strategic Reserve	$60,292,695
Capital Projects	10,844,292
Vehicle Replacement	7,601,717
Leave Accrual Payouts	4,565,020
Contingencies	4,299,366
Laguna Seca Track Maintenance	3,363,794
NGEN Radio System	3,155,563

- **Operating gaps could re-emerge during the forecast period.** Revenues continue to grow moderately and some revenue streams have surpassed pre-recession levels. Some departments have new revenue streams related to the recent state-county realignment. With the additional revenues, the County has taken on new responsibilities previously performed by the state. Meanwhile, inflation in the cost of doing business has consumed most of the revenue gains. As a result, departments continue to operate in a fiscally constrained environment similar to the one that existed during the recession.

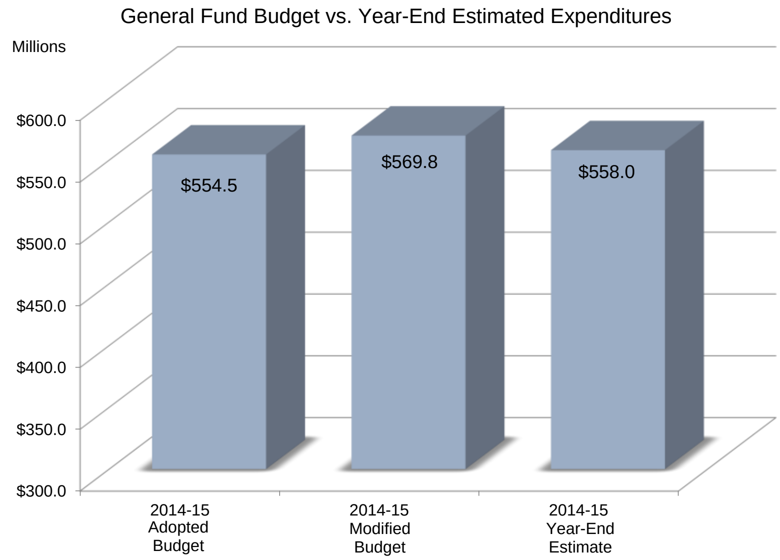
  The chart below displays recent years' annual operating surpluses and gaps, which measure the difference between annual revenues and expenditures. Such a measure helps determine how well an organization is living within its means. During the recession, the County spent more than it earned in annual revenues, using up one-time savings to support the ongoing cost of operations. In contrast, the surpluses over the last four fiscal years indicate a more sustainable fiscal practice. Looking forward, a hypothetical deficit re-emerges in 2015-16 as salary and benefit costs and other inflationary pressures exceed growth in resources. Most bargaining agreements provide for raises in their third and final year (2015-16) under current MOUs. Retirement contribution rates to CalPERS and health premiums will also be increasing in 2015-16. Other cost pressures include rising costs in the County's general liability insurance program and continuing costs for the ERP upgrade and information technology infrastructure replacement. These and other cost pressures will be covered in more depth later in this report.

General Fund Operating Surpluses/Gaps



[1]. Excludes one-time investments/expenditures using one-time fund fund balance, including: Schillings facilities, capital projects, and transfers to the Vehicle Replacement Program.

General Fund Expenditures



The general fund is the County's largest fund, and supports basic governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The 2014-15 Adopted Budget included appropriations of $554.5 million. The budget grew by $15.3 million over the course of the fiscal year, mostly to pay for the Schilling Place building purchase and to fund modifications to departmental budgets where those modifications could be supported by additional program revenues. The general fund is expected to end the fiscal year $11.8 million below budget. Major areas of expenditure savings include:

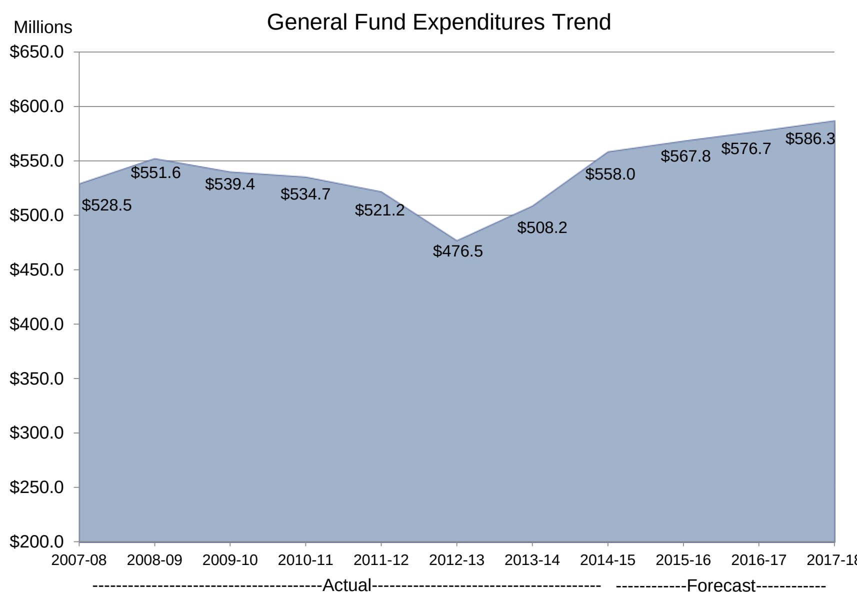
- The Department of Social Services estimates year-end expenditures at $10.3 million below budget. Of this amount, there was approximately $4.3 million in salary savings as the Department experienced recruitment challenges, particularly in the eligibility worker series. Much of the remainder in savings was in the entitlement programs. The Department expects the reduction in expenditures to result in an equivalent reduction in cost reimbursements from the state. More details are provided in the Department's individual forecast narrative later in this report.
- The Health Department estimates year-end expenditures at $4.5 million below budget. Most of this amount is salary savings from position vacancies.
- The offices and departments of the District Attorney, County Counsel, Assessor-County Clerk/Recorder, Treasurer-Tax Collector, and Human Resources all expect year-end salary savings from unfilled positions, totaling a combined $1.8 million. In some cases the salary savings stems from recruitment difficulties. In other cases, hiring is delayed or positions left vacant to maintain budgetary balance.

The appropriations savings were partially offset by projected over expenditures in several departments as described below.

- The Sheriff's Office expects to exceed appropriations by $5.0 million. Like other departments, the Sheriff's Office has struggled to keep up with rising costs related to employee MOUs, higher PERS contributions, and increased costs for employee health insurance. In addition to these countywide costs, the Sheriff's Office has also hired additional staff (particularly in the jail) over the past 18 months, increased overtime costs, and incurred increases in general liability insurance program and information technology charges. The resulting $5.0 million over expenditure will be partially offset by $2.8 million in higher-than-budgeted revenues. More details about the Sheriff's Office forecast are provided later in the departmental forecast summary section. The new Sheriff's administration has expressed its intent to be a County partner in finding solutions to these inherited challenges.

- The Parks Department's general fund operations expect to end the current year $735,281 over budgeted appropriations, partially offset by $450,694 in additional estimated revenues. The higher-than-budgeted expenditures are the result of one-time costs related to personnel management, training, and the NextGen Radio project.
- Emergency Communications expects it will need $583,671 in additional appropriations to cover costs related to several infrastructure projects. The projects are supported by grant funds and user agency fees. The Department will be requesting the additional appropriations (with supporting revenues) through upcoming reports to the Budget Committee and Board of Supervisors.

After accounting for these areas of projected over expenditure, the County still expects to save $11.8 million in appropriations based on mid-year financial data and expertise provided from department heads and staff.

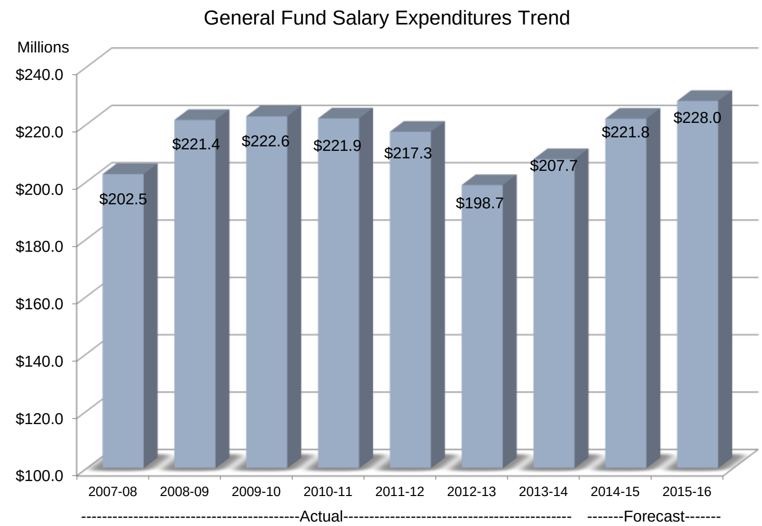


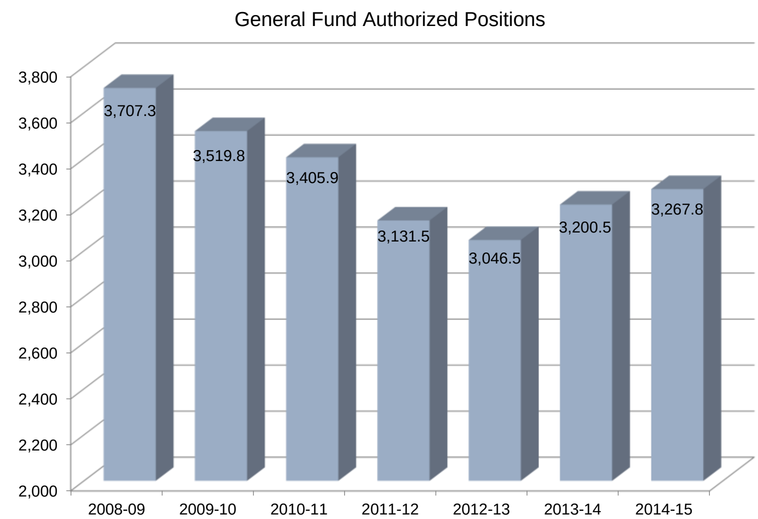
General fund expenditures have grown significantly since the recession. A large portion of this growth is related to the realignment of former state programs to local government through adoption of AB 118 (Chapter 40, Statutes of 2011) in 2011-12. California's realignment revised and expanded certain health and social services responsibilities to counties. Likewise, adoption of AB 109 (Chapter 5, Statutes of 2011) realigned responsibilities for certain lower level offenders, adult parolees and juvenile offenders from the state to local jurisdictions.

As part of its realignment of responsibilities to local government, the state required a new fund for behavioral health programs. To implement this requirement, the County transferred $65.2 million in combined existing and new funding for behavioral health programs into the new fund in 2012-13. Even with the $65.2 million transfer, overall expenditures have risen significantly under state-county realignment.

For the forecast years, costs are expected to continue climbing, growing by a forecasted $9.8 million in 2015-16 and increasing by similar amounts in the two out years of the forecast. These increases are the expected result of increasing cost pressures, covered in depth below.

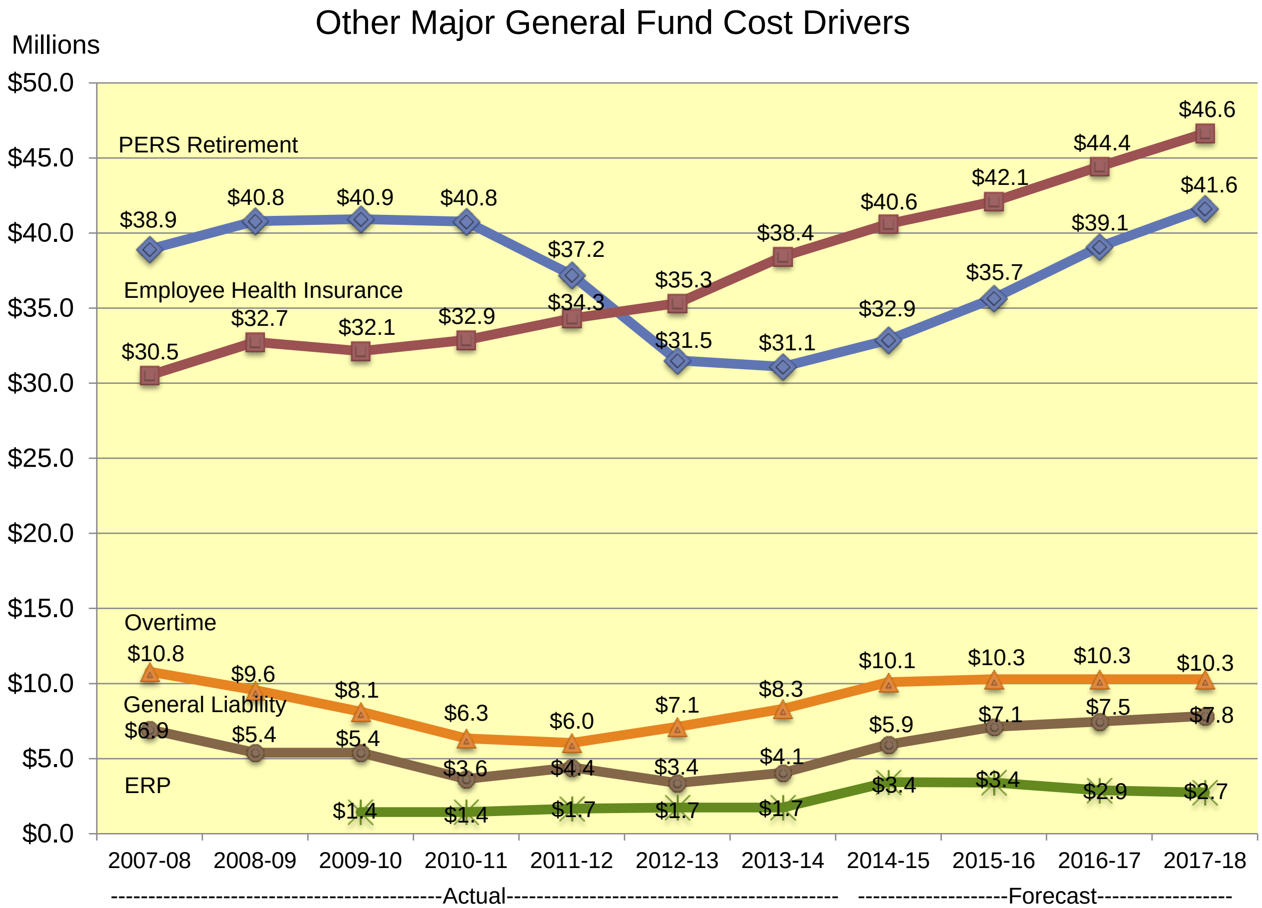
General Fund Cost Pressures



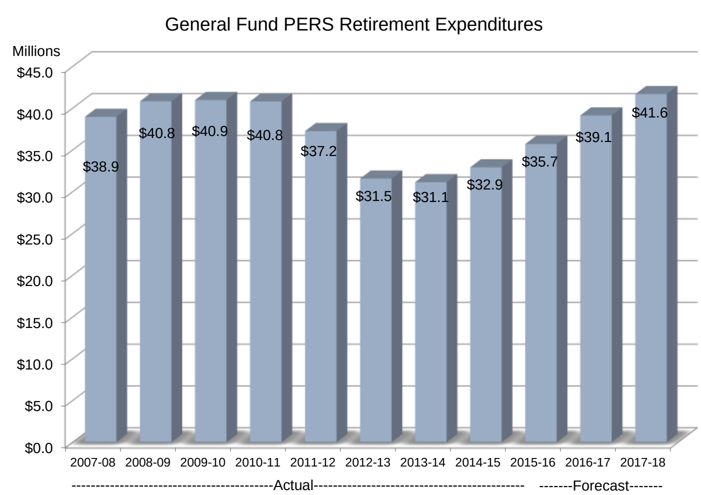


County departments continue to be constrained by the growing cost of running their programs. One area of increased expenditures is salaries. Most bargaining agreements provide for three years of wage increases beginning in 2013-14 through 2015-16. Although modest compared to pre-recession years, the salary increases have added upward pressure on total general fund expenditures. In addition, departments have added positions, particularly in the areas affected by state-county realignment and the Affordable Health Care Act. A total of 221 additional positions have been authorized just over the past two budget cycles. These position augmentations coupled with the pay raises increased salary expenditures from $198.7 million in 2012-13 to an estimated $221.8 million in the current year. Total salaries are estimated to grow an additional $6.2 million next fiscal year, the final year of most MOUs.

Other major cost drivers include employee retirement and health care, rising overtime costs, increases in general liability insurance, and County infrastructure and facility needs. These costs have constrained departments' capacity to meet staffing and service capacity goals, and in many cases required organizational downsizing. Each year departments have reduced levels of authorized positions to submit balanced baseline budgets, hoping to restore these positions through the augmentation request process. As seen in recent years' budget hearings, extensive efforts have been made by County staff and the Board to find ways to save positions and avert layoffs. The upcoming budget process is expected to present similar challenges, as departments again face increased costs and further erosion of discretionary funding to respond to these pressures.



PERS Retirement Contributions



The County's contributions toward employee pensions declined after 2010-11 as employee associations entered into agreements to pay more towards their retirement. In 2013-14, *miscellaneous plan* employees further increased contributions from 3.5% to 7% of salary. These agreements produced significant savings and helped departments to weather budget reductions and avoid significant job losses. Two developments are now reversing this trend:

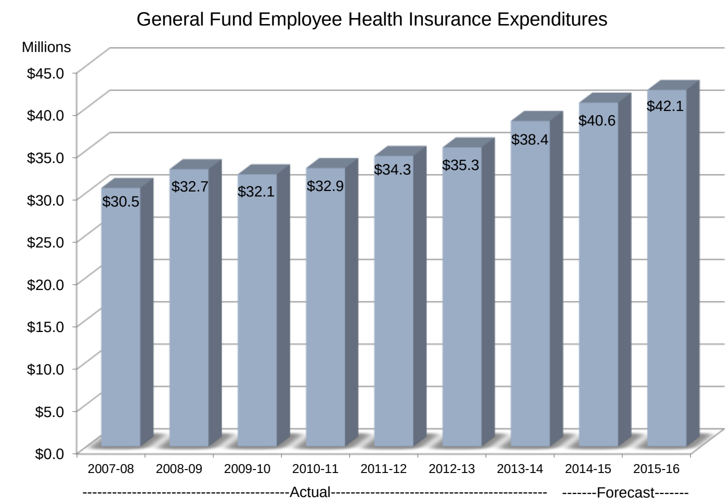
- First, CalPERS has changed its actuarial methodology to accelerate payment towards agencies' unfunded liabilities. The County's unfunded liability has been helped by recent investment gains, but remains at $405.8 million based on the most recent actuarial analyses provided by CalPERS.

- Second, CalPERS has updated its demographic assumptions based on its recent study showing that members are living longer and making higher salaries than previously estimated, resulting in higher life-time benefits.

These two developments will require the County to increase its contributions significantly over the next five years, through 2019-20. Rates for miscellaneous plan employees are now growing about 1% of payroll a year, while contributions for safety employees will rise 2.1% of payroll next fiscal year and 3.9% of payroll in 2016-17. The impact of these rate increases is similar to pay raises of 2.1% and 3.9%, respectively. The result in PERS contributions is a $1.8 million increased cost to the general fund in the current year and a $2.8 million increase in the budget year. Additional increases of $3.4 million and $2.6 million are estimated for 2016-17 and 2017-18, respectively.

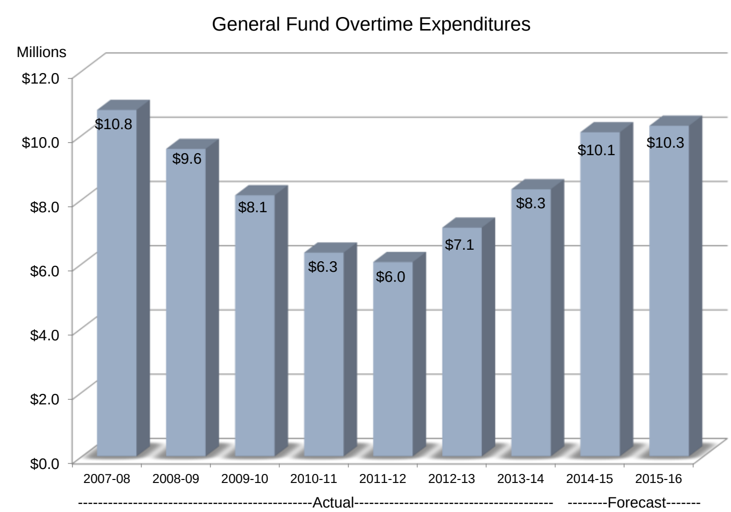
Health Insurance Costs

Another area of cost pressure is employee health insurance. Although general fund revenues have recovered to pre-recession levels, the cost of providing employee health insurance is approximately $10 million more today than it was at the beginning of the recession. This increase occurred during a recessionary period in which insurance companies constrained their annual premium increases. Even with relatively modest premium increases (the rate increase for PERS Choice, the most popular plan, has been set at 2.3% for calendar year 2015), overall employee health expenditures will rise a forecasted $1.5 million next fiscal year.



Employee Overtime

The County's overtime expenditures have also been on the rise. Departments estimate overtime expenditures of $10.1 million in the current year, a $4.1 million (68%) increase since 2011-12. Approximately 80% of overtime expenditures are in the Sheriff's Office, where these costs have grown from $4.6 million in 2011-12 to a projected $7.5 million in the current year. The growth in these expenditures has exerted pressure on the Sheriff's Office budget, leading



to budget overages and less flexibility to respond to emerging issues. The new Sheriff and his administration have already expressed strong interest in partnering with the County Administrative Office to tackle this and other inherited fiscal issues.

Internal Service Department Charges

In addition to the above salary and benefits cost drivers, departments are also facing rising charges from internal service programs. One such program is the general liability insurance program. This program provides for all liability judgments, settlements, and claims against the County, including claims that are not covered by the County's excess insurance policy. The program is financed by charges to departments based on a combination of loss history and staffing levels. General liability program charges to departments increased $1.9 million in 2014-15 and will increase another $1.2 million next fiscal year. The increases are part of a plan to pay down liabilities resulting from a recent increase in judgments and settlements.

Other areas of increased service department charges include costs for information technology infrastructure and software. Charges to County departments for services provided by the Information Technology Department are increasing $2.5 million in the current year and are forecasted to increase another $2.0 million next fiscal year. In addition, the County is replacing its Enterprise Resource Planning (ERP) software, which has reached the end of its useful life and must be upgraded to continue support from the vendor. Charges to departments to pay for the existing ERP maintenance as well as the upgrade increased $1.5 million in the current year and will continue at this increased level next fiscal year.

Departmental Impacts

In response to these and other cost pressures, departments continue to operate in a prolonged period of fiscal constraint. The recovery in County revenues has not kept pace with the growing cost to operate at existing staffing and service levels. Salary and benefit expenditures have grown from 68.8% of general fund expenditures in 2007-08 to a forecasted 74.3% of expenditures next fiscal year, as departments continue to cut out discretionary spending to make room for salary increases, PERS rate hikes, and rising health premiums paid on behalf of County employees.[1] These increases, combined with the growth in general liability program charges and infrastructure replacement, have eroded many departments' capacity to afford current operating levels. As was common during the recession, many departments have little choice but to cut positions to submit balanced annual budget requests. The County has targeted the moderate recovery in discretionary revenue to restore most of the filled position reductions and avoid layoffs. But as these cost pressures mount, the challenge of balancing future budgets will likely require more difficult choices ahead. These difficult choices will be made in the budget process underway and culminating in the budget hearings scheduled for June 2nd.

Below is a summary of the 10 departments that expect to be impacted the most as a result of cost pressures. Please note that the cost drivers shown in the summary are not an exhaustive list. In

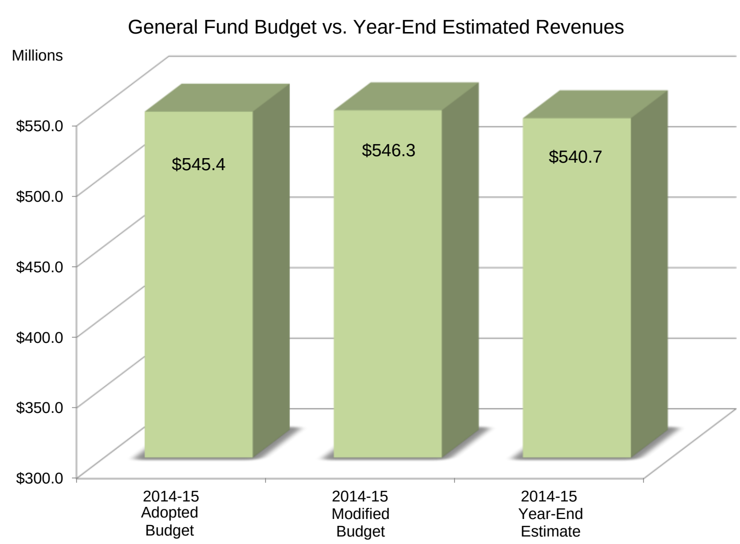
[1] Comparisons of salary and benefits as a percent of total expenditures exclude "other charges", which consists mostly of entitlement program payments. When including "other charges", salary and benefits as a percent of total expenditures grew from 58.8% in 2007-08 to 64.1% in 2014-15.

addition to these countywide cost pressures, many departments are facing their own internal cost drivers unique to their lines of business.

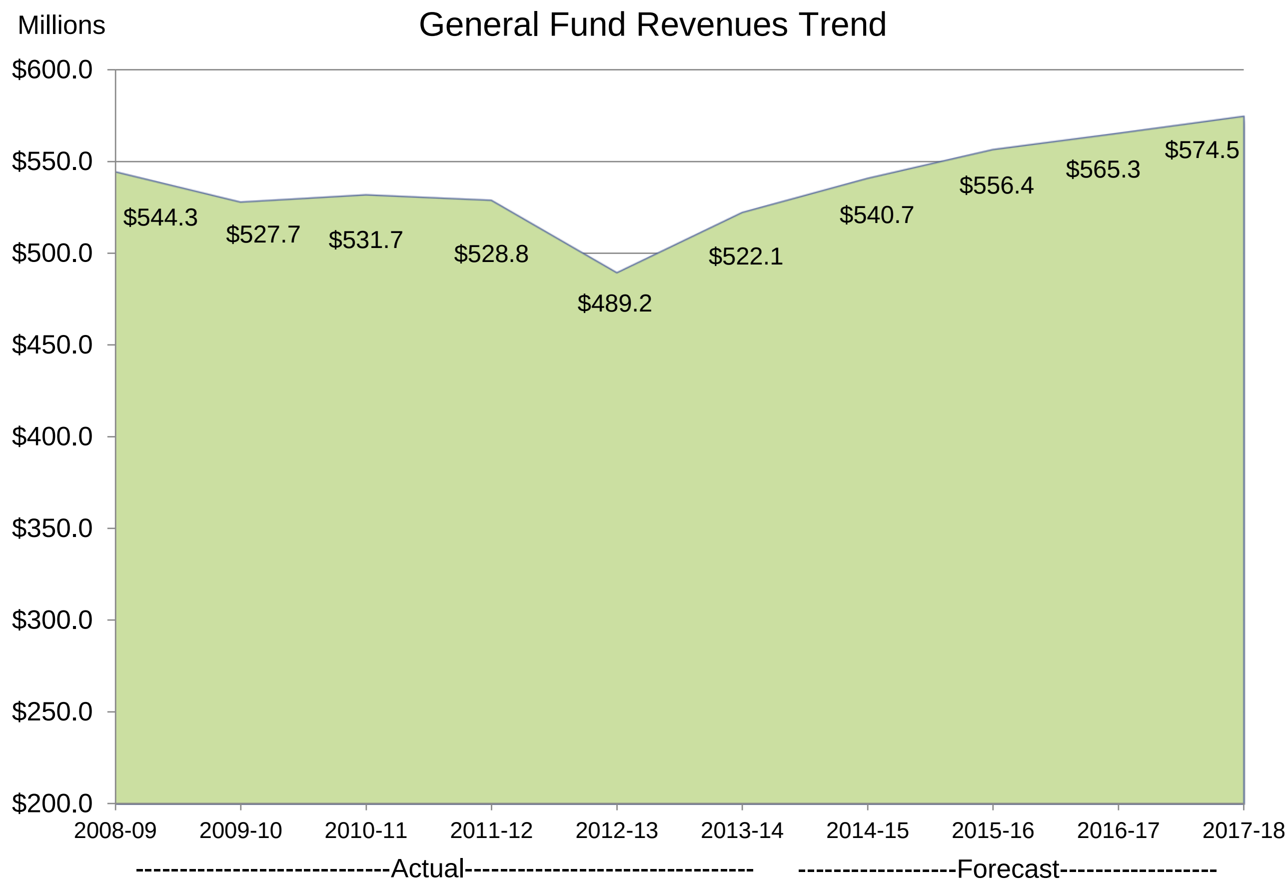
Department	Major 2015-16 Countywide Cost Drivers:				
	MOUs	PERS	ERP/IT Infrastructure	General Liability	Total
Health	$2,620,709	$903,608	$656,539	$117,718	$4,298,574
Social Services	2,084,329	512,913	1,140,312	82,817	3,820,371
Sheriff-Coroner	870,000	790,000	380,000	590,000	2,630,000
Probation	532,815	557,055	545,916	62,933	1,698,719
Resource Mgt Agency	547,361	247,890	176,003	39,108	1,010,362
District Attorney	380,006	135,717	-	61,401	577,124
Emergency Comm.	187,162	62,356	77,541	9,899	336,958
Child Support Services	141,422	46,428	112,838	8,986	309,674
Public Defender	130,637	43,546	60,756	22,935	257,874
Auditor-Controller	137,000	40,000	30,695	46,000	253,695
	$7,631,441	$3,339,513	$3,180,600	$1,041,797	$15,193,351

General Fund Revenues

At an estimated year-end total of $540.7 million, current year revenues reflect a shortfall of $5.6 million (1.0%) compared to budget. As detailed in earlier in this report, departments show a collective year-end reduction of $11.8 million in expenditures. These results indicate that the majority of departments are taking necessary actions to monitor their revenues throughout the year and adjust expenditures as needed to maintain budgetary balance.

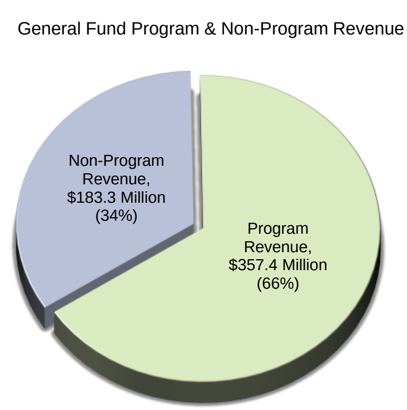


In prior years the general fund received almost half of its revenue from the state, both in the form of direct allocations and from federal sources passed through state departments. The transfer of specific state and federal funds to the new behavioral health fund in 2012-13 is reflected as a reduction in the general fund in 2012-13. Most of the state and federal aid revenue remaining in the general fund supports mandated public assistance, health, and public safety programs. These sources of revenue have grown under state-county realignment along with increased responsibilities and associated costs. Even with the forecasted modest growth in these funds, most departments expect deficits beginning next fiscal year, as growth in revenue will be insufficient to cover their increased costs of doing business. The County's discretionary "non-program" revenue also continues to grow, but this growth is not expected to be sufficient to meet all of the departmental needs and close their funding gaps.



Non-Program Revenue

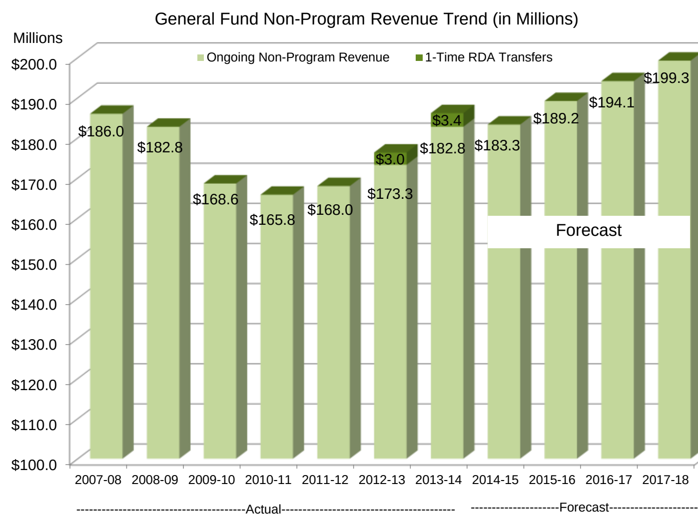
General fund revenues are categorized as "program" and "non-program" based on the source of and purpose for the funding. Program revenues, primarily from state and federal sources, are typically provided for a statutory purpose and must by law be spent on designated activities, such as health and social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



discretionary revenues, and include property taxes, transient occupancy tax (TOT), sales and use tax, vehicle license fees (VLF), and a number of other smaller revenue sources that support local government.

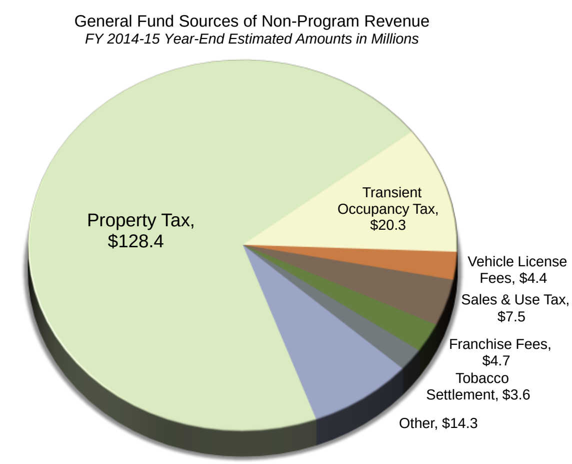
As discretionary funding, non-program revenues provide the County with some level of flexibility to address local needs and priorities through the annual budget process. Departments submit augmentation requests to address these funding needs. The County Administrative Office prioritizes requests and makes recommendations to the Board as part of the recommended budget presented at annual budget hearings. In recent years, priority for allocating growth in discretionary non-program revenue has been given to requests seeking to avert layoffs amid rising costs and to requests supported primarily by program revenues. Expectations are similar for the upcoming budget process.

In the prior year, non-program revenue recovered to pre-recession levels, led by the recovery in the housing market and improvement in assessed home values. Property tax revenues increased a total of $4.7 million while transient occupancy tax (TOT) revenue grew $1.9 million. The County is also benefiting from property tax increment previously dedicated to redevelopment agencies that now flows to counties under the dissolution agreement. In the prior year, these monies amounted to $5.5 million in tax increment revenue and $3.4 million in one-time fund balance transfers from the former redevelopment agencies as required under the agreement.



Non-program revenue is expected to surpass pre-recession levels next fiscal year, growing $3.0 million ($6.4 million excluding one-time redevelopment transfers) over 2013-14 actuals. A similar growth pattern is expected in the following two out years as long as the economy continues to recover.

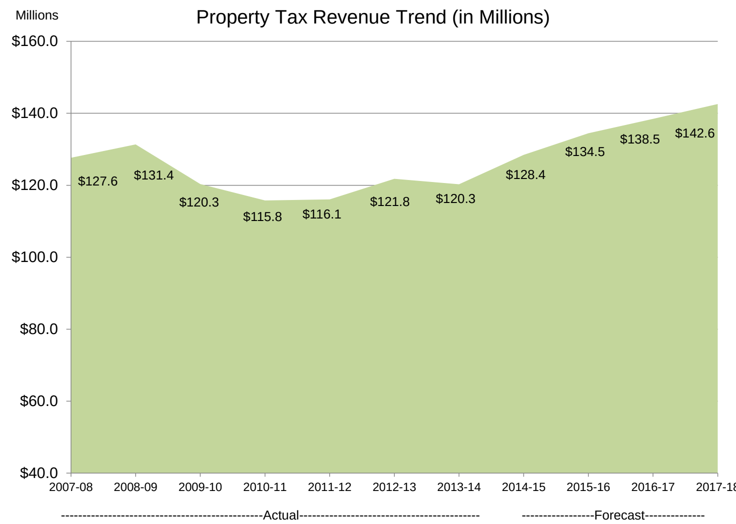
Sources of non-program revenue are displayed in the chart to the right. Property tax revenue comprises the bulk of non-program revenue, totaling an estimated $128.4 million (70%) of current year estimated revenue. Transient occupancy tax, often referred to as a hotel or room tax, is estimated at $20.3 million, while sales and use tax revenue is estimated



* Includes residual monies from RDA dissolutions, property transfer taxes, payments of interest on delinquent taxes, investment income, and miscellaneous federal & state reimbursements.

at $7.5 million. Other significant sources of non-program revenue include vehicle license fees, tobacco settlement monies, and franchise fees. The County also receives residual (tax increment) monies from the redevelopment dissolution, property transfer taxes, investment income, payments of interest on delinquent taxes, and various state and federal reimbursements.

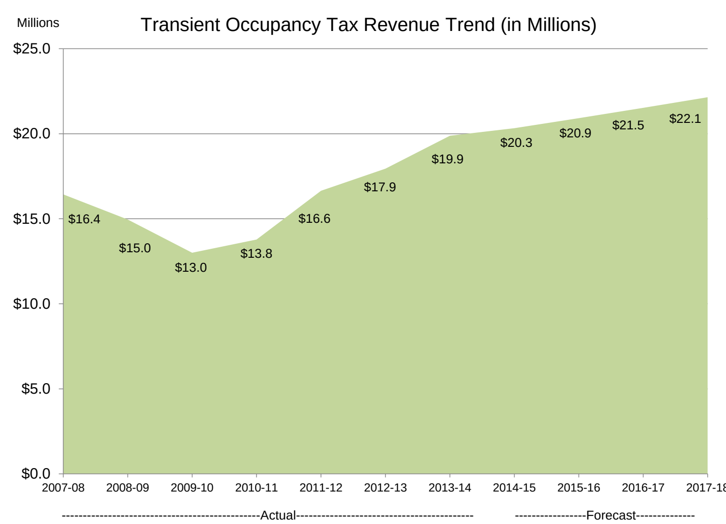
Property Tax



Revenues from property taxes sustained steep reductions through the economic downturn and its aftermath, declining $15.6 million from peak to trough. This decline was a driving factor behind four years of budget reductions following the onset of the recession. Since that time, assessed values have begun recovering, with the County's Assessor expecting a 5-6% overall increase in assessed values in 2014-15. The forecast assumes the more conservative 5% growth estimate for 2015-16, which would yield approximately $6.1 million in increased revenue. Annual growth of 3.0% is projected for the two out years of the forecast, which would produce annual revenue gains of $4.1 million.

Included in the property revenue estimates are improvements in supplemental tax revenue. In January, the County Assessor reported in his bi-annual report that the average supplemental assessment increased to $196,623 in the current year, which remains well below pre-recession levels but well above the $62,658 average assessment in 2009-10, during the worst of the recession. The growth in assessed values translates into a current year estimate of $2.0 million in this revenue source, a significant recovery from the 2009-10 level of $673,584.

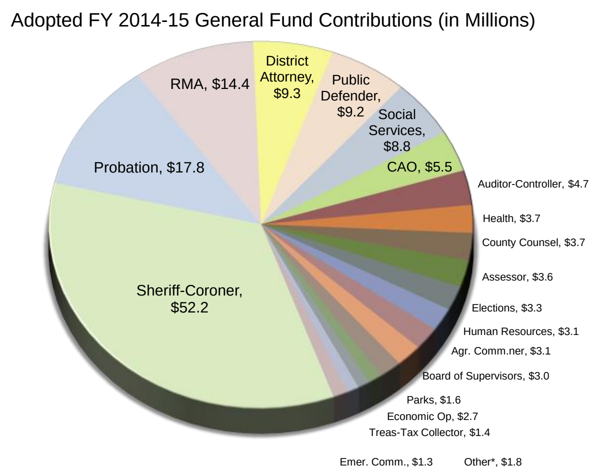
Transient Occupancy Tax (TOT)



Monterey County relies on TOT as its second largest source of discretionary revenue. Often referred to as the "hotel tax," TOT is the tax applied on hotel/motel accommodations. The rate for Monterey County is 10.5%. Monterey County is a destination of choice for many travelers from not only the U.S., but countries across the globe. For this reason, economic conditions both in the U.S. and abroad influence these revenues. The County's TOT revenue is estimated at $20.9 million for next fiscal year, well above the $13 million level during the recession. The positive performance in this key revenue stream can be attributed to improvement in economic conditions and the successful efforts of the Treasurer-Tax Collector to improve collection and compliance.

General Fund Contributions

The County uses its non-program revenue to finance departments' general fund contributions (GFC), which become the focus of the annual budget process. General fund contributions represent discretionary general fund revenue appropriated by the Board each fiscal year. Departments use these revenues to supplement program-specific revenues to finance operations. Preliminary estimates released to all departments in December 2014 assume total GFC available for appropriation in 2015-16 remains at the current year Board approved level for County departments, as displayed in the chart to the right.



* Includes Clerk of the Board, Equal Employment Opportunity, Child Support Services, & Cooperative Extension. Chart excludes non-departmental costs such as bond payments, trial courts, contributions to fire districts and other agencies, and various miscellaneous countywide expenditures.

Next year's estimated non-program revenue growth of $5.9 million will be targeted to funding departmental augmentation requests to increase their GFC above current levels. Rather than distribute growth in non-program revenue as part of departments' "baseline" budget allocations, the County Administrative Office carefully reviews all departmental augmentation requests and prioritizes the growth in the form of recommendations to the Board for consideration during the annual budget process. With most departments forecasting deficits next fiscal year and expenditure requirements far exceeding available resources, this process helps target limited resources to the greatest needs and priorities.

General Fund Departmental Forecasts

This section provides individual departmental forecasts, which compare forecasted needs (i.e., expenditures) based on current staffing and services to available financing. Available financing refers to a department's estimated program revenue plus baseline general fund contributions adopted by the Board in support of ongoing operations. By comparing departments' forecasted need to a "baseline" amount of available funding, the resulting forecast summaries help identify potential areas where service capacity may be threatened by projected changes in expenditures and revenues in immediately pending budget years. Departmental summaries offer a tool to assist the Board of Supervisors with final priority decisions for the distribution of discretionary general fund contributions in the upcoming budget process.

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

Based on current year-end details, 16 departments estimate ending 2013-14 at or below Board authorized levels of GFC, with a combined surplus of $1.7 million. In contrast, eight departments expect to exceed current GFC authorizations by a combined $4.0 million. The end result to the general fund is a potential year-end deficit of $2.3 million in departmental operations. This deficit is offset by the higher-than-budgeted growth in non-program revenue, with the end result being an estimated $2.1 million year-end unassigned fund balance. In compliance with Board adopted policy, County Administrative Office analysts work closely with those departments identifying current year-end budget over-runs so that necessary steps are taken to ensure they report through the Board's Budget Committee to end the year with a balanced budget.

Agricultural Commissioner - The Agricultural Commissioner estimates it will end the current year within its budgeted GFC. One of the department's critical revenue sources is from unclaimed gas tax which is distributed based on maintenance of effort (MOE) requirements related to the County's annual GFC to the department. When the department's use of GFC does not meet MOE requirements, there are resulting reductions in program revenue in the following year. In an effort to maintain and maximize revenue, the Agricultural Commissioner attempts to balance annual expenditures against these funding dynamics. Revenue is expected to decrease due to a reduction in state contracts and an anticipated reduction in the County's pro rata share of unclaimed gas tax. Expenditures are anticipated to grow. Increasing deficits in the forecast years are due to negotiated salary increases, greater PERS retirement costs, increased cost of supplies, and contributions to County capital projects.

Agricultural Commissioner	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 9,726,703	$ 9,726,703	$ 10,050,511	$ 10,228,103	$ 10,428,170
B. Revenue	6,662,018	6,662,018	6,457,313	6,370,598	6,367,026
C. Financing Need, A-B	3,064,685	3,064,685	3,593,198	3,857,505	4,061,144
D. Preliminary GFC	3,064,685	3,064,685	3,064,685	3,064,685	3,064,685
E. Surplus/(Deficit), D-C	-	-	(528,513)	(792,820)	(996,459)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates it will end the current year within its budgeted GFC. In December, the Board of Supervisors approved a preservation project for the Recorder's office, which increases expenditures and revenue by $649,000. Salaries and benefits expenditures are under budget as a result of unexpected resignations and vacancies; however, there has been a decrease in revenue for recording fees due to an historic low in recordings. Revenues are projected to decrease in forecasted years as a result of the downturn in recordings. Expenditures are expected to increase due to cost of living increases, step advances, and rising health insurance premiums.

Assessor-County Clerk/Recorder	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 7,988,827	$ 7,522,265	$ 7,682,434	$ 7,790,973	$ 7,904,669
B. Revenue	4,374,819	3,908,257	3,525,892	3,575,892	3,625,892
C. Financing Need, A-B	3,614,008	3,614,008	4,156,542	4,215,081	4,278,777
D. Preliminary GFC	3,614,008	3,614,008	3,614,008	3,614,008	3,614,008
E. Surplus/(Deficit), D-C	-	-	(542,534)	(601,073)	(664,769)

Auditor-Controller - The Auditor-Controller's Office includes eleven budget units, nine of which are budgeted in the general fund. However, some of the units support countywide non-departmental costs that are not directly Auditor-Controller core operations, such as the cost plan, short-term borrowing and the annual audits. The table summarizes the finances for departmental operations. The Auditor-Controller estimates it will end the fiscal year with a deficit of $74,618. The overage is estimated based on unbudgeted costs for annual leave buyback requests from staff.

Auditor-Controller	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 5,056,561	$ 5,130,548	$ 5,607,865	$ 5,728,790	$ 5,867,180
B. Revenue	396,613	395,982	406,236	412,187	412,187
C. Financing Need, A-B	4,659,948	4,734,566	5,201,629	5,316,603	5,454,993
D. Preliminary GFC	4,659,948	4,659,948	4,659,948	4,659,948	4,659,948
E. Surplus/(Deficit), D-C	-	(74,618)	(541,681)	(656,655)	(795,045)

Board of Supervisors - The budget for the Board of Supervisors includes six general fund units, providing for each of the five districts and a general pool that covers shared expenses not specific to any one district. Based on financial data for the first six months of the year, the Board's budget will end 2014-15 with $31,045 over budgeted appropriations. This amount is attributed to a change in Supervisors that necessitated a temporary overlap in personnel and associated costs. The deficits emerging in forecast years are driven by cost increases related to negotiated pay increases, as well as increases in PERS rates, health insurance premiums, and technology costs.

Board of Supervisors	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 3,023,941	$ 3,054,986	$ 3,176,166	$ 3,221,882	$ 3,275,998
B. Revenue	-	-	-	-	-
C. Financing Need, A-B	3,023,941	3,054,986	3,176,166	3,221,882	3,275,998
D. Preliminary GFC	3,023,941	3,023,941	3,023,941	3,023,941	3,023,941
E. Surplus/(Deficit), D-C	-	(31,045)	(152,225)	(197,941)	(252,057)

Child Support Services - Child Support Services is funded entirely through federal and state subventions for mandated services. The negative GFC represents Countywide Cost Allocation Plan (COWCAP) recovery from these funding sources. The GFC will be adjusted based on final COWCAP numbers provided by the Auditor-Controller's Office. The increase in expenditures in the forecast period is attributed largely to the negotiated increase in salaries and the information technology capital replacement charges to the Department. The Department expects to receive similar revenue allocations as in previous years.

Child Support Services	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 10,909,036	$ 10,902,453	$ 11,126,998	$ 11,246,818	$ 11,344,973
B. Revenue	11,092,730	11,121,269	11,353,385	11,480,498	11,586,162
C. Financing Need, A-B	(183,694)	(218,816)	(226,387)	(233,680)	(241,189)
D. Preliminary GFC	(183,694)	(183,694)	-	-	-
E. Surplus/(Deficit), D-C	-	35,122	226,387	233,680	241,189

Clerk of the Board - The Clerk of the Board anticipates ending 2014-15 with an estimated GFC surplus of $41,329. The surplus is due in part to a staff vacancy and associated salary savings, and nominal savings in services & supplies. Revenues from assessment appeal application filings are projected to remain flat. Expenditures are expected to continue rising in the forecast years due to step advances, increased benefit cost drivers and projected increases in contracted services.

Clerk of the Board	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 820,834	$ 779,505	$ 829,211	$ 852,005	$ 869,126
B. Revenue	20,000	20,000	20,000	20,000	20,000
C. Financing Need, A-B	800,834	759,505	809,211	832,005	849,126
D. Preliminary GFC	800,834	800,834	800,834	800,834	800,834
E. Surplus/(Deficit), D-C	-	41,329	(8,377)	(31,171)	(48,292)

Cooperative Extension - The year-end estimate for the Cooperative Extension is forecasted to come within budget for 2014-15. Cooperative Extension projects a GFC deficit emerging in 2015-16, increasing in 2016-17 and 2017-18. The increased deficit is attributed to fixed cost increases, including negotiated salary increases for the four county staff positions, corresponding benefits, and increased costs from service departments who pass along the impacts of their cost increases to customers.

Cooperative Extension	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 544,044	$ 536,302	$ 588,412	$ 595,724	$ 602,916
B. Revenue	131,735	123,993	-	-	-
C. Financing Need, A-B	412,309	412,309	588,412	595,724	602,916
D. Preliminary GFC	412,309	412,309	412,309	412,309	412,309
E. Surplus/(Deficit), D-C	-	-	(176,103)	(183,415)	(190,607)

County Administrative Office - The County Administrative Office (CAO) budget units are structured into two functional categories: CAO Non-Departmental and CAO Departmental. The CAO Non-Departmental has nine budget units and is associated with functions not directly related to CAO operations, including support of fire services in unincorporated areas, trial court MOE requirements, non-program revenue, medically indigent adult (MIA) obligations, operational contingencies, fleet operations, and debt financing. The table below summarizes the finances for the CAO Departmental category which includes Administration and Finance, Budget and Analysis, Contracts/Purchasing, Intergovernmental and Legislative Affairs, Emergency Services, and Community Engagement and Strategic Advocacy. These operations estimate a combined year-end surplus of $131,312 compared to budgeted amounts. The CAO is projecting deficits in the forecast years as a result of negotiated salary increases and increased benefit expenditures.

County Administrative Office (Departmental)[1]	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 5,692,632	$ 5,553,320	$ 5,861,117	$ 5,922,089	$ 6,004,642
B. Revenue	308,000	300,000	300,000	300,000	300,000
C. Financing Need, A-B	5,384,632	5,253,320	5,561,117	5,622,089	5,704,642
D. Preliminary GFC	5,384,632	5,384,632	5,384,632	5,384,632	5,384,632
E. Surplus/(Deficit), D-C	-	131,312	(176,485)	(237,457)	(320,010)

[1]. Excludes countywide non-departmental units, including: fleet operations, non-program revenue, the 1% contingency appropriation, debt service, trial courts, and medical care services

County Counsel - County Counsel estimates it will end the current year with $4.3 million in general fund expenditures and $404,422 in revenues, resulting in a year-end use of $3.9 million in GFC. These results would produce an end-of-year surplus of $570,383, due primarily to salary savings. The forecast, which assumes a stagnant GFC contribution, reflects estimated deficits resulting from MOU salary increases, higher PERS contributions, and other inflationary pressures.

County Counsel	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 4,897,572	$ 4,337,946	$ 5,247,168	$ 5,364,951	$ 5,459,085
B. Revenue	393,665	404,422	368,593	393,665	393,665
C. Financing Need, A-B	4,503,907	3,933,524	4,878,575	4,971,286	5,065,420
D. Preliminary GFC	4,503,907	4,503,907	4,503,907	4,503,907	4,503,907
E. Surplus/(Deficit), D-C	-	570,383	(374,668)	(467,379)	(561,513)

District Attorney - The Office of the District Attorney projects year-end expenditures of $21.7 million, revenues of $12.4 million and $9.3 million in use of GFC, resulting in year-end savings of $23,038. With some higher than budgeted expenses (retirement) and few vacancies, the department projects there will be minimal savings during the remainder of the fiscal year. The forecast also indicates deficits ranging between $1.4 and $2.2 million in the forecast years. These deficits are almost exclusively due to salary increases approved for July 2015 and additional step increases, without additional revenues to offset these increases. These deficits are due to an assumption that GFC financing will remain flat through the forecast years, while salaries, benefits, retirement and health care costs are projected to increase.

District Attorney	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 22,225,223	$ 21,726,516	$ 24,245,843	$ 24,836,464	$ 25,404,656
B. Revenue	12,922,841	12,447,172	13,540,232	13,717,234	13,908,417
C. Financing Need, A-B	9,302,382	9,279,344	10,705,611	11,119,230	11,496,239
D. Preliminary GFC	9,302,382	9,302,382	9,302,382	9,302,382	9,302,382
E. Surplus/(Deficit), D-C	-	23,038	(1,403,229)	(1,816,848)	(2,193,857)

Economic Development Department - The Economic Development Department's (EDD) general fund units estimate year-end expenditures of $2.7 million, revenues of $25,590 and $2.7 million in use of GFC. Compared to budgeted GFC, the department would end the year with a small deficit of $590. This is due to an over estimate of interest on loan payments. EDD projects a deficit emerging in 2015-16 mostly attributable to increased salaries, corresponding benefits, a significant increase in general liability insurance program charges, as well as having to absorb similar cost increases from service departments and a decrease in reimbursable administration costs from grants. Unless other means are taken to offset escalating costs, the increase will impact EDD's ability to maintain existing resources and to continue to promote economic vitality and development in the County of Monterey.

Economic Development	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 2,685,145	$ 2,685,145	$ 2,854,891	$ 2,825,908	$ 2,845,523
B. Revenue	26,180	25,590	4,265	25,600	25,600
C. Financing Need, A-B	2,658,965	2,659,555	2,850,626	2,800,308	2,819,923
D. Preliminary GFC	2,658,965	2,658,965	2,658,965	2,658,965	2,658,965
E. Surplus/(Deficit), D-C	-	(590)	(191,661)	(141,343)	(160,958)

Elections - Elections administers all federal, state, county, and local public elections. Departmental expenditures and revenues vary based on the number of scheduled elections and unscheduled special elections in a given year. The Department expects to end the current year with GFC savings due to temporary position vacancies and more effective use of temporary staffing. Projected expenditures and revenues reflect estimated charges for two large scheduled elections in 2015-16, one scheduled presidential election in 2016-17 and two scheduled elections in 2017-18. Deficits in the first two forecast years arise from flat GFC financing assumptions while salaries, benefits and services are projected to increase to accommodate a larger presidential election. An accompanying rise in revenues is expected to partially offset these increases.

Elections	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 4,141,012	$ 4,048,558	$ 4,851,839	$ 4,294,763	$ 3,911,516
B. Revenue	882,500	883,000	1,033,500	1,032,500	882,500
C. Financing Need, A-B	3,258,512	3,165,558	3,818,339	3,262,263	3,029,016
D. Preliminary GFC	3,258,512	3,258,512	3,258,512	3,258,512	3,258,512
E. Surplus/(Deficit), D-C	-	92,954	(559,827)	(3,751)	229,496

Emergency Communications - During 2014-15, the Emergency Communications Department (ECD) completed two major projects: replacement of the 911 phone system and the replacement of the dispatch center console furniture. The majority of the 2014-15 expenditures towards these projects are reimbursable through the State of California. Because of the unknown timing and unknown total cost of these projects, the ECD expects to end the fiscal year exceeding the adopted budget's appropriations by $583,671, offset by $649,371 in higher-than-budgeted revenues. The ECD intends to request that the Board of Supervisors authorize an increase to revenue and appropriations for the amount of reimbursable expenditures towards these projects. Pending the authorization for these increases, the ECD anticipates ending the fiscal year with a $65,700 surplus in general fund contributions.

The November 2014 *Budget End of Year Report (BEYR)* included a recommendation to transfer approximately $1.2 million in 2013-14 year-end departmental surplus, originating from user agency payments, into two ECD assignments. The surplus was partially driven by the election of a supplemental collection of $350,000 from agencies participating in the consolidated dispatch center. In addition, $864,618 of the surplus resulted from delays with the Next Generation Radio System (NGEN) project. Due to the delays, $864,618 was collected from participating agencies but was not expended as budgeted. Like the $350,000 for the consolidated dispatch center, the $864,618 should also be recovered from year-end fund balance and assigned to the appropriate designation.

Recommendations:

- *Transfer $350,000 in year-end estimated unassigned fund balance to the Emergency Communications Assignment 3130, Dispatch sub-account; and*
- *Transfer $864,618 in year-end estimated unassigned fund balance to the Emergency Communications Assignment 3130, NGEN sub-account.*

Emergency Communications	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 11,195,598	$ 11,779,269	$ 10,904,769	$ 11,013,592	$ 11,187,739
B. Revenue	9,858,672	10,508,043	9,788,523	9,851,830	10,008,245
C. Financing Need, A-B	1,336,926	1,271,226	1,116,246	1,161,762	1,179,494
D. Preliminary GFC	1,336,926	1,336,926	1,336,926	1,336,926	1,336,926
E. Surplus/(Deficit), D-C	-	65,700	220,680	175,164	157,432

Equal Opportunity Office - The Equal Opportunity Office (EOO) expects to end 2014-15 with a general fund contribution surplus of $52,024 due to salary savings from a vacant position. The forecasted increases in 2015-16, 2016-17 and 2017-18 are the a result of higher salary and benefits costs (negotiated cost of living increases, employee step advances, rising PERS contributions, etc.).

Equal Opportunity	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 747,050	$ 695,026	$ 748,308	$ 777,808	$ 786,260
B. Revenue	-	-	-	-	-
C. Financing Need, A-B	747,050	695,026	748,308	777,808	786,260
D. Preliminary GFC	747,050	747,050	747,050	747,050	747,050
E. Surplus/(Deficit), D-C	-	52,024	(1,258)	(30,758)	(39,210)

Health – The Health Department provides a wide array of services including but not limited to animal services, behavioral health, public health, clinic services, public guardian/conservator/administrator, emergency medical services, and environmental health. The Department estimates year-end expenditures of $69.6 million, revenues of $66.0 million, and a financing need of $3.6 million at year-end or a surplus of $153,194 to the general fund resulting from unfilled vacancies. The Department is anticipating a need for increased general fund contribution in the three outlying years predominantly due to negotiated salary increases, capital replacement costs associated with the County ERP system and information technology upgrades and replacements.

Health Department (General Fund)	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 74,151,267	$ 69,644,556	$ 71,594,208	$ 73,393,801	$ 74,728,787
B. Revenue	70,401,441	66,047,924	67,782,413	69,212,960	70,090,857
C. Financing Need, A-B	3,749,826	3,596,632	3,811,795	4,180,841	4,637,930
D. Preliminary GFC	3,749,826	3,749,826	3,749,826	3,749,826	3,749,826
E. Surplus/(Deficit), D-C	-	153,194	(61,969)	(431,015)	(888,104)

Human Resources – The Human Resources Department projects expenditures of $2,783,665, revenue of $5,000 and a general fund financing need of $2,778,665, resulting in a year-end general fund financing surplus of $293,122. This surplus is attributed to partial year vacancies in four positions. Forecasted years are projecting deficits that increase annually as a result of increases in the costs of services and supplies, negotiated pay increases and increases for benefit expenditures.

Human Resources	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Expenditures	$ 3,076,789	$ 2,783,667	$ 3,227,161	$ 3,299,439	$ 3,341,680
B. Revenue	5,000	5,000	5,000	5,000	5,000
C. Financing Need, A-B	3,071,789	2,778,667	3,222,161	3,294,439	3,336,680
D. Preliminary GFC	3,071,789	3,071,789	3,071,789	3,071,789	3,071,789
E. Surplus/(Deficit), D-C	-	293,122	(150,372)	(222,650)	(264,891)

Information Technology - The Information Technology Department (ITD) recovers all departmental costs through charges for services it provides. For illustrative purposes, the table below assumes charges to departments remain constant through the forecast period at current year levels, revealing hypothetic deficits as costs rise. In reality, ITD plans to increase its charges to departments in subsequent budgets to meet the higher level of expenditure.

Beginning in 2014-15, capital replacement projects for ITD Infrastructure are being implemented. While all project costs are captured separately from operational costs, these expenditures will once again be recovered through charges to the users that benefit from each of the particular projects. All project costs are included in both Information Technology and customer department budgets.

Information Technology	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Expenditures*	$ 19,530,082	$ 19,447,102	$ 22,285,623	$ 20,605,789	$ 19,826,445
B. Revenue	1,013,145	1,135,442	1,012,696	1,012,696	1,012,696
C. Financing Need, A-B	18,516,937	18,311,660	21,272,927	19,593,093	18,813,749
D. Current Charges	18,516,937	18,516,937	18,516,937	18,516,937	18,516,937
E. Surplus/(Deficit), D-C	-	205,277	(2,755,990)	(1,076,156)	(296,812)

* Departmental reimbursements to Information Technology are normally reflected as offsets to expenditures but excluded in this summary table to provide a more accurate representation of the Department's expenditures.

Parks - The Parks Department is projecting a potential $284,588 deficit for 2014-15 due to declining SCRAMP revenues, the loss of revenue due to the temporary closure of the rifle range for operational review and improvements, and one-time costs related to personnel management, training, and the NextGen Radio system project. The Department is reviewing and identifying areas where costs can be reduced in order to eliminate the deficit by fiscal year-end. The Department projects potential deficits in its general fund operations for the three-year forecast period due to revenues remaining flat and increased employee salary and benefits and general liability program charges.

Parks (General Fund)	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 4,801,524	$ 5,536,805	$ 5,515,961	$ 5,605,530	$ 5,675,899
B. Revenue	3,072,586	3,523,280	3,233,522	3,253,510	3,274,097
C. Financing Need, A-B	1,728,938	2,013,525	2,282,439	2,352,020	2,401,802
D. Preliminary GFC	1,728,938	1,728,938	1,653,938	1,653,938	1,653,938
E. Surplus/(Deficit), D-C	-	(284,587)	(628,501)	(698,082)	(747,864)

Probation - The Department's 2014-15 year-end estimates reflect expenditures of $41.4 million, revenue of $23.2 million and general fund contributions (GFC) of $18.2 million. Based on this estimate, the Department will exceed the current GFC budget by $326,145 due to an unusual number of unbudgeted retirements in the first seven months of this year. The total retirement/termination payout costs were estimated at $486,373 and were partially offset by higher-than-budgeted public safety sales tax revenue, estimated at an increase of $160,225. The Department will continue to monitor costs and is taking steps to re-balance expenditures to stay within the authorized GFC budget.

The forecasted expenditures for 2015-16 through 2017-18 trended higher based on negotiated MOU increases and increases in PERS retirement, workers compensation, ITD charges, and ERP infrastructure costs. Revenue is estimated to remain at levels similar to the current year, with the exception of public safety sales tax which increased an average of 2% for each forecasted year.

Probation	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 40,867,234	$ 41,353,907	$ 43,538,481	$ 44,713,373	$ 45,428,608
B. Revenue	23,020,344	23,180,872	23,622,402	23,701,861	23,791,170
C. Financing Need, A-B	17,846,890	18,173,035	19,916,079	21,011,512	21,637,438
D. Preliminary GFC	17,846,890	17,846,890	17,846,890	17,846,890	17,846,890
E. Surplus/(Deficit), D-C	-	(326,145)	(2,069,189)	(3,164,622)	(3,790,548)

Public Defender - The Public Defender's function consists of two budget units: the Alternate Defender (ADO) and Public Defender (PDO). The two units estimate combined year-end expenditures of $10.1 million, revenue of $360,408, and ending general fund contributions of $9.8 million. Compared to budget, the Department and both of its units would end the current year $600,615 over its currently authorized GFC. The Department projects larger deficits in the forecast years due to its anticipated increase in serious and/or violent felonies that cause conflicts due to multiple defendant cases or cases where the PDO or ADO has or is representing victims or witnesses. The ADO is adding two felony contract lawyers to reduce the number and cost of cases that require court appointment of private counsel. Adding to the deficits are negotiated salary increases, earned step advances, promotions, retirement costs, infrastructure and service costs, upgrade of aging computers and software, and the records imaging project to keep pace with the Superior Court's new systems.

Public Defender Department	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
ALTERNATE DEFENDER UNIT					
A. Expenditures	$ 2,173,855	$ 2,818,438	$ 3,077,644	$ 2,854,387	$ 2,802,994
B. Revenue	225,000	229,565	305,500	305,500	305,500
C. Financing Need, A-B	1,948,855	2,588,873	2,772,144	2,548,887	2,497,494
D. Preliminary GFC	1,948,855	1,948,855	1,948,855	1,948,855	1,948,855
E. Surplus/(Deficit), D-C	-	(640,018)	(823,289)	(600,032)	(548,639)
PUBLIC DEFENDER UNIT					
A. Expenditures	$ 7,377,061	$ 7,324,715	$ 8,228,828	$ 8,398,212	$ 8,460,338
B. Revenue	143,786	130,843	143,786	181,786	181,786
C. Financing Need, A-B	7,233,275	7,193,872	8,085,042	8,216,426	8,278,552
D. Preliminary GFC	7,233,275	7,233,275	7,233,275	7,233,275	7,233,275
E. Surplus/(Deficit), D-C	-	39,403	(851,767)	(983,151)	(1,045,277)
PUBLIC DEFENDER DEPARTMENT TOTAL					
A. Expenditures	$ 9,550,916	$ 10,143,153	$ 11,306,472	$ 11,252,599	$ 11,263,332
B. Revenue	368,786	360,408	449,286	487,286	487,286
C. Financing Need, A-B	9,182,130	9,782,745	10,857,186	10,765,313	10,776,046
D. Preliminary GFC	9,182,130	9,182,130	9,182,130	9,182,130	9,182,130
E. Surplus/(Deficit), D-C	-	(600,615)	(1,675,056)	(1,583,183)	(1,593,916)

Resource Management Agency (General Fund) - The 2014-15 current year estimate for the Resource Management Agency (RMA) reflects a general fund contribution deficit of $487,157. Early in the fiscal year, the Agency recognized that revenues were not coming in at the budgeted levels, and in response to the projected decrease in revenue from permitting fees, staffing levels were restricted to contain costs and remain within the Board approved appropriations. The current year estimate reflects the anticipated $492,852 decrease in revenue has been sufficiently offset by a projected $689,475 decrease in expenses. However, additional unbudgeted expenses of approximately $683,780 have developed in the current fiscal year for improvement, maintenance and utility costs associated with the Schilling Place properties. RMA will continue to closely monitor its operations, but there does not appear to be a way to maintain service levels and be able to absorb the increased expenditures associated with the Schillings properties within the current Board approved Agency's general fund contribution. The Agency therefore anticipates having to request additional general funds for the unbudgeted Schilling Place operational costs.

At this time, assuming general fund contributions remaining flat for a fifth straight year, going into 2015-16, the Agency anticipates a deficit emerging which is attributable to increased expenditures outside of the Agency's control. Based on increases in PERS, MOU salaries, general liability program charges, ERP costs, information technology operating and infrastructure charges, and other service department charges, the Agency's general fund costs are projected to increase $1.2 million. These costs increases are in addition to approximately $3.1 million in cost increases over the past five years. The increase in operating and maintenance costs, including utilities at the Schilling Place properties is the primary driver of the remaining increase for 2015-16. While the Agency has diligently managed its authorized appropriations within the general fund targets for the past several years, given the significant increases in expenditures anticipated, unless other funding sources become available to offset the cost increases either through increased permit fees or general fund contributions, accommodating the magnitude of annual increases will impact the Agency's ability to maintain existing service levels.

Resource Management Agency (General Fund)	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Expenditures	$ 24,366,376	$ 24,360,681	$ 26,480,513	$ 27,630,511	$ 28,692,011
B. Revenue	9,625,499	9,132,647	9,414,821	9,221,942	9,208,883
C. Financing Need, A-B	14,740,877	15,228,034	17,065,692	18,408,569	19,483,128
D. Preliminary GFC	14,740,877	14,740,877	14,740,877	14,740,877	14,740,877
E. Surplus/(Deficit), D-C	-	(487,157)	(2,324,815)	(3,667,692)	(4,742,251)

Sheriff-Coroner - The Sheriff's Office expects to end the current year with $89.1 million in expenditures, $38.3 million in revenues, and general fund contributions of $50.8 million. Compared to budget, the Office estimates that it will exceed the budgeted GFC in 2014-15 by $2.2 million. Factors contributing to the potential deficit include unrealized salary savings due to a significant increase in hiring deputy sheriff recruits and a high turnover rate of new hires. These two factors caused the office to incur initial hiring costs which average at least $10,000 per recruit without a corresponding reduction in overtime. Additionally, the office anticipates deficits in the forecast years due to increasing costs related to PERS retirement and health insurance premiums.

Sheriff-Coroner	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Expenditures	$ 84,091,577	$ 89,092,917	$ 91,584,274	$ 92,676,216	$ 94,601,292
B. Revenue	35,511,315	38,286,692	39,624,156	39,806,987	40,026,693
C. Financing Need, A-B	48,580,262	50,806,225	51,960,118	52,869,229	54,574,599
D. Preliminary GFC	48,580,262	48,580,262	48,580,262	48,580,262	48,580,262
E. Surplus/(Deficit), D-C	-	(2,225,963)	(3,379,856)	(4,288,967)	(5,994,337)

Social Services - The Department of Social Services (DSS) estimates year-end expenditures of $166.2 million, revenue of $158.0 million and general fund contribution of $8.2 million. The current year-end estimated expenditures are less than budget primarily due to slower growth in foster care entitlement costs than projected in the budget and staff vacancies resulting from limited applicant pools and capacity for training new employees. Estimated year-end revenues are decreased since the State and federal government only provide funding based on actual expenses. It should be noted that the year-end estimate was completed at a time when only one quarter of fiscal data was available to estimate earned revenues, as a result these estimates may change before year-end closing.

The estimated deficits for the forecast years are directly related to mandated increases in cost of doing business. These include increases in: negotiated salaries and employee benefits, increased charges by service departments and internal service funds, State mandated COLAs for Foster Care and Adoption Assistance, and a statutory 3.5% increase in In Home Supportive Services (IHSS) Maintenance of Effort. Estimated revenues do not include increases in 1991 and 2011 Realignment funds. It is likely that Realignment funding will grow during the forecast years to cover some amount of these increased costs. However, it is not possible for the Department to accurately project Realignment growth funding given the dynamic nature of taxable sales.

Social Services (General Fund)	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Expenditures	$176,474,199	$166,203,606	$176,010,595	$178,613,159	$181,824,846
B. Revenue	168,228,931	157,958,338	164,635,179	166,512,659	168,985,715
C. Financing Need, A-B	8,245,268	8,245,268	11,375,416	12,100,500	12,839,131
D. Preliminary GFC	8,245,268	8,245,268	8,245,268	8,245,268	8,245,268
E. Surplus/(Deficit), D-C	-	-	(3,130,148)	(3,855,232)	(4,593,863)

Treasurer-Tax Collector - The current year-end estimate is based on actual expenditures and revenue through mid-year, and remaining anticipated expenditures and estimated revenues. Salary and benefits year-end estimate costs reflect a savings of $203,685, resulting from a number of vacancies through the first half of the fiscal year, including several management positions. The department has been in the process of recruiting, and recently filled several of these positions, with one remaining key management vacancy expected to be filled before the end of March 2015. Cost offsets from revenue for service charges are also reduced due to vacancy related reductions in salary and benefits costs. Total expenditures reflect a reduction of $181,793, and revenue is expected to end the year $136,569 below budget. Overall, the department anticipates ending the year with a GFC surplus of $45,224.

The 2015-16 forecast reflects an expenditures increase of $238,342 or 3.4%. Cost changes assume that vacant positions will be filled, and include the negotiated 3% salary increase effective July 1, 2015, as well as pending step increases, related salary driven cost increases, PERS retirement increased costs, and additional charges for health care insurance. Services and supplies cost drivers include increased non-discretionary charges for general liability insurance, and ERP and ITD systems upgrades. Revenue reflects an increase of $97,389 or 1.8%, resulting in an additional need of $140,953 in general fund contributions. Projections for 2016-17 and 2017-18 currently remain conservative, reflecting 1% increases in expenditures, and revenue growth of 1.3% each year.

Treasurer-Tax Collector	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	2016-17	2017-18
A. Expenditures	$ 6,951,670	$ 6,769,877	$ 7,190,012	$ 7,264,488	$ 7,338,394
B. Revenue	5,560,983	5,424,414	5,658,372	5,734,588	5,811,111
C. Financing Need, A-B	1,390,687	1,345,463	1,531,640	1,529,900	1,527,283
D. Preliminary GFC	1,390,687	1,390,687	1,390,687	1,390,687	1,390,687
E. Surplus/(Deficit), D-C	-	45,224	(140,953)	(139,213)	(136,596)

OTHER MAJOR FUNDS

Natividad Medical Center - Natividad Medical Center (NMC) is a County "Enterprise Fund," defined as a governmental fund that provides goods and services to the public for a fee, which makes the entity self-supporting. Natividad received designation as Monterey County's Adult Level II Trauma Center effective January 5, 2015. The designation of a Trauma Center is significant to Monterey County because it provides faster time to care for patients critically in need of physicians and hospital services. The Affordable Care Act (ACA) that started on January 1, 2014 continues to provide citizens in Monterey County access to healthcare insurance that otherwise could not afford it. The healthcare market will continue to focus in Population Health which consists of managing the chronically ill across all settings, from hospital to home.

Volume: Net patient revenues are expected to continue to experience moderate growth. The growth will be coming from patients accessing trauma services and patients with healthcare benefits obtained through Covered California. Total revenues are projected to increase by 11% over the next three years.

Government Revenues: Reductions from the state's funding for patients with Medi-Cal benefits and the uninsured, meaningful use or information technology improvements, and the State and federal provider fee reimbursement will reduce reimbursement from government sources by 9.0% per year.

Operating/Capital Expenses: Operating expenses are projected to increase by an annual average of 3.4% due to annual cost increases for labor and non-labor services and projected volume increases.

Capital Expenditures: An estimated capital need of $15 million per year is projected to upgrade the facility primarily in patient care areas, replacement of clinical equipment and investment in required information technology programs.

Net Results: NMC staff projects a continued positive fund balance for the hospital.

Natividad Medical Center	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Beginning Net Position	$ 117,517,534	$ 117,517,534	$ 106,895,232	$ 102,318,173	$ 98,260,720
B. Revenue	194,281,614	196,387,826	211,123,520	219,039,476	225,995,427
C. Expenditures	210,842,146	207,010,128	215,700,578	223,096,929	228,662,587
D. Ending Net Position (A+B-C)	100,957,002	106,895,232	102,318,173	98,260,720	95,593,560
E. Change in Net Position (D-A)	(16,560,532)	(10,622,302)	(4,577,058)	(4,057,453)	(2,667,160)

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

The current year estimate for 2014-15 reflects an erosion of fund balance in the amount of $1.5 million. This was anticipated by the Agency as it is attributable to a timing delay when project funds where received verses when project construction began. When the 2014-15 budget was prepared it was anticipated that the Castroville Boulevard Overlay Project would be completed in 2013-14 using the Board approved 2013-14 allocation of Transient Occupancy Tax (TOT) in the amount of $1.5 million. The TOT allocation of $1.5 million was transferred at the end of 2013-14 however the project construction and completion was not completed until the current fiscal year. On November 4, 2014 the Board approved a request to add the Castroville Boulevard project to the current year Road Fund Work plan, including a request to increase appropriations in 2014-15 of $1.5 million with no corresponding revenue increase as the TOT funds from 2013-14 carried forward into 2014-15 beginning fund balance.

There are several factors negatively affecting the Road Fund. The most significant is an anticipated 24% or approximately $3 million drop in the County's Highway Users Tax allocation (HUTA) that is not reflected in the 3-Year Forecast as it was not known until after the forecast data was submitted. The reduction in Highway Users Tax receipts by the State ensures that those revenue losses will inevitably lead to further erosion of the fund balance in 2015-16. Other cost impacts to the Road Fund include increased costs associated with PERS, MOU salary increases, general liability program charges, ERP and information technology charges, and other service department charges totaling approximately $1.1 million in 2015-16. Additional impacts to the Road Fund include unknown risks associated with increases in the cost of construction materials such as concrete, asphalt, and oil. All of these factors may affect the expenditure side of the forecast as the project activities performed by this fund are largely dependent on these commodities.

Road Fund 002	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast		
			2015-16	2016-17	2017-18
A. Beginning Fund Balance	$ 4,913,155	$ 4,913,155	$ 3,273,433	$ 3,273,433	$ 3,273,433
B. Revenue	31,284,915	31,533,203	32,572,812	32,558,772	33,240,547
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	36,198,070	36,446,358	35,846,245	35,832,205	36,513,980
E. Expenditures	31,616,591	33,172,925	32,572,812	32,558,772	33,240,547
F. Provisions for Assigments	-	-			-
G. Total Financing Uses, E+F	31,616,591	33,172,925	32,572,812	32,558,772	33,240,547
H. Ending Fund Balance, D-G	$ 4,581,479	$ 3,273,433	$ 3,273,433	$ 3,273,433	$ 3,273,433

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

Current year revenues are projected to increase at 1.5% to a total of $8.3 million based on actual revenues received last year, with two percent increases estimated the next two years. Current year expenditures experienced a 2.5% increase on fixed costs related to rents and leases of Library buildings, costs of janitorial and maintenance of buildings, and other fixed cost increases relating to MOU salary increases and rising costs for insurance and information technology. This trend is projected to continue at a 2% increase for the next three years.

The three year forecast for the Library Fund indicates the Libraries will continue to maintain the level of fund balance sufficient to offset and stabilize the increasing expenditures. The next two years will continue to allow for a positive ending balance, with a gradual erosion of fund balance by 2017-18. Despite anticipated increases in property tax revenues, growth in departmental expenses are outpacing growth in offsetting funding. Salaries and benefits continue to represent approximately 65% of the Library's total expenditures. Discretionary spending in the Library is a minimal part of the budget; however the department continues to strive to reduce all discretionary expenditures.

The Libraries' upcoming capital improvements project for the next three years include the construction and reopening of San Lucas Library for which outside funding has already been obtained, and the improvement of the Seaside Library, which is recommended to be funded with previous year fund balance from the general fund. Both projects have been long overdue – the San Lucas project because of site clean-up issues and the Seaside Library because of the dissolution of the RDAs.

The dissolution of the redevelopment agencies resulted in a loss of funding set aside for a new library in Seaside. The current Seaside library requires repairs and refurbishing due to the deteriorated state of the exterior and interior of the building. The City of Seaside has committed to completing the external repairs. The County committed to carrying out the needed inside repairs that include critical items such as plumbing, electrical, carpet and tile removal and replacement, replacement of furniture, shelving and computer equipment and rewiring. These costs will be financed using estimated year-end unassigned fund balance, to be transferred from the County Administrative Office into the Resource Management Agency's Facilities Maintenance projects Fund as outlined below.

Recommendations:

- *Increase Operating Transfers Out in the County Administrative Office (001-1050-8038-7614-CAO017) by $626,963, to be financed by estimated unassigned fund balance.*
- *Increase appropriations in the Resource Management Agency's Facilities Maintenance Projects Fund (401-3000-8184-5940-RMA004) by $626,963.*
- *Increase estimated revenue in the Resource Management Agency's Facilities Maintenance Projects Fund (401-3000-8184-6311-RMA004) by $626,963.*

Monterey County Free Libraries	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Beginning Fund Balance	$ 1,552,308	$ 1,549,669	$ 1,402,370	$ 920,577	$ 430,458
B. Revenue	8,144,771	8,327,900	8,189,098	8,345,880	8,505,797
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	9,697,079	9,877,569	9,591,468	9,266,457	8,936,255
E. Expenditures	8,678,317	8,475,199	8,670,891	8,835,999	9,004,409
F. Provisions for Assigments	-	-			-
G. Total Financing Uses, E+F	8,678,317	8,475,199	8,670,891	8,835,999	9,004,409
H. Ending Fund Balance, D-G	$ 1,018,762	$ 1,402,370	$ 920,577	$ 430,458	$ (68,154)

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

The year-end estimates for the Behavioral Health Bureau are expenditures totaling $82.1 million, revenues totaling $78.8 million, with estimated ending fund balance of $22.9 million. As the Department continues to expand to meet an increased demand for services, in part attributable to the Affordable Care Act (ACA), which expanded the Medi-Cal eligible population, and to address the needs for service in unserved or underserved communities in the County, the Department continues to anticipate the need to use fund balance in forecast years. The anticipated use of fund balance will be used to partially cover operational costs and to provide the matching funds required to draw down Federal Financial Participation (FFP) funds.

Behavioral Health continues to build on the existing strong array of community-based culturally competent behavioral health contract providers. In addition, the Department continues to work on developing better access to services, more prevention efforts, and a more efficient use of its resources. The Behavioral Health Bureau will continue to balance integration and transformation of service delivery with quality behavioral health care.

Health Department - Behavioral Health Fund	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Beginning Fund Balance	$ 26,125,736	$ 26,125,736	$ 22,845,165	$ 19,323,071	$ 15,190,710
B. Revenue	75,719,827	78,806,306	80,657,694	80,657,694	80,657,694
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	101,845,563	104,932,042	103,502,859	99,980,765	95,848,404
E. Expenditures	80,156,827	82,086,877	84,179,788	84,790,055	84,941,273
F. Provisions for Assigments	-	-			-
G. Total Financing Uses, E+F	80,156,827	82,086,877	84,179,788	84,790,055	84,941,273
H. Ending Fund Balance, D-G	$ 21,688,736	$ 22,845,165	$ 19,323,071	$ 15,190,710	$ 10,907,131

Parks - Lakes Resorts - The Lakes Resorts Enterprise Fund began 2014-15 with a negative $1.5 million beginning net position and is projected to end the fiscal year with a negative $3.6 million net position, for a net decline of $2.1 million. The fund continues to face challenges with declining revenues due to low lake levels and increasing expenditures. The forecast years assume the lake levels remain low and revenues increase minimally while expenditures increase, resulting in annual losses in excess of $2 million. The Department is currently working with the concessionaire to identify ways to contain costs.

Parks Lake & Resort Operations	Modified Budget 2014-15	Year-End Estimate 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
A. Beginning Net Position	$ (1,519,025)	$ (1,519,025)	$ (2,124,604)	$ (2,445,630)	$ (2,541,213)
B. Revenue	4,320,301	3,636,507	3,338,215	3,491,050	3,659,167
C. Expenditures	4,380,301	5,761,111	5,783,845	6,032,263	6,278,447
D. Ending Net Position (A+B-C)	(1,579,025)	(3,643,629)	(4,570,234)	(4,986,843)	(5,160,493)
E. Change in Net Position (D-A)	(60,000)	(2,124,604)	(2,445,630)	(2,541,213)	(2,619,280)

RECOMMENDATIONS

This final section of the financial forecast re-states recommendations included in this report for the reader's convenience.

Operational Contingencies

The 2014-15 Adopted Budget incorporated various actions taken during the preceding budget hearings that required the use of $1.3 million previously recommended for the operational contingencies appropriation. It is recommended the $1.3 million be restored to the contingencies assignment for support of next year's general fund contingencies appropriation.

Recommendation: Transfer $1,265,116 in year-end estimated unassigned fund balance to the General Fund Contingencies Assignment 3113.

Emergency Communications

The November 2014 *Budget End of Year Report* included a recommendation to transfer approximately $1.1 million in 2013-14 year-end departmental surplus, originating from user agency payments, into two ECD assignments. The surplus was partially driven by the election of a supplemental collection of $350,000 from agencies participating in the consolidated dispatch center for use on future capital projects. In addition, $864,618 was collected from participating agencies for the NGEN Project but was not expended. Like the $350,000 for the consolidated dispatch center, the $864,618 should be recovered from year-end fund balance and assigned to the appropriate designation.

Recommendations:

- *Transfer $350,000 in year-end estimated unassigned fund balance to the Emergency Communications Assignment 3130, Dispatch sub-account; and*
- *Transfer $864,618 in year-end estimated unassigned fund balance to the Emergency Communications Assignment 3130, NGEN sub-account.*

Seaside Library Maintenance Project

The County Administrative Office recommends the transfer of $626,963 in year-end estimated unassigned fund balance from the County to the Resource Management Agency for maintenance and repairs to the Seaside branch library.

Recommendations:

- *Increase Operating Transfers Out in the County Administrative Office (001-1050-8038-7614-CAO017) by $626,963, to be financed by estimated year-end fund balance.*
- *Increase appropriations in the Resource Management Agency's Facilities Maintenance Projects Fund (401-3000-8184-5940-RMA004) by $626,963.*
- *Increase estimated revenue in the Resource Management Agency's Facilities Maintenance Projects Fund (401-3000-8184-6311-RMA004) by $626,963.*

Schilling Place Operations and Maintenance

The County Administrative Office recommends use of year-end unassigned fund balance to cover operations and maintenance costs and facilities utilization plan expenditures to prepare the newly acquired Schilling Place building to house County staff.

Recommendation:

- *Increase appropriations in the County Administrative Office (001-1050-8038-6835-CAO017) by $1,544,192, to be financed by estimated year-end fund balance, to fund operations and maintenance costs and facility utilization plan expenditures pertaining to the Schilling Place property.*