Monterey County Financial Forecast

March 2021

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 of each year. To meet this timeline, staff conducts a comprehensive mid-year review of planned spending and anticipated revenues for the current fiscal year (FY 2020-21), budget year (FY 2021-22), and two additional years. The result of this review is an assessment of the County's financial condition, emerging needs, and expected fiscal capacity to meet those needs.

Approach and Assumptions

The forecast is an analysis of estimated revenues and costs for existing levels of staffing and services within the context of current statutes and policies. A forecast is different than a budget. In forecasting, departments estimate "normal" cost of operations, which generally include the filling of vacancies and current level of discretionary spending. Developing a three-year forecast provides a window of opportunity to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure financial sustainability of the County. Similarly, the forecast also serves as a tool for the upcoming budget to assess the impact that decisions made in the present, such as considering a new revenue source or the funding of a new program, will have on future fiscal balance.

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 known 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. The forecast compares expenditures required to carry out existing operations related to estimated financing sources. This analysis is a key financial management tool to guide the upcoming budget process and help preserve long-term financial stability.

General Fund Results Prior Fiscal Year

The general fund supports core governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The FY 2019-20 adopted budget included $687.5 million in appropriations, matched by an equivalent amount of financing. Throughout the year, subsequent modifications increased appropriations by $24.9 million, financed by additional revenue and fund balance for one-time expenditures. The County ended the fiscal year with a favorable performance compared to the final budget.

Through the Board's leadership, and departments' responsible financial oversight, the general fund ended the prior year with a preliminary operating surplus of $1.5 million (since FY 2019-20 CAFR was not available as of the date of this publication, final results are preliminary until the CAFR is published). The Board judiciously invested this surplus by adding $0.5 million to the Strategic Reserve which resulted in meeting the Board's policy of 10% of estimated general fund revenue. While the prior year ended in a surplus, the unassigned fund balance includes $0.6 million that was obligated in the FY 2020-21 adopted budget to fund one-time expenditures. Therefore, only $0.4 million of the unassigned fund balance is truly available in the current year. Also, an additional $5.7 million was added towards the cannabis assignment in FY 2019-20. Investments in the County's reserves are a strong indicator of the County's commitment to weathering future unforeseen events and meet emerging needs.

General Fund Outlook through 2023-24

	FY 2019-20	FY 2020-21			FY 2021-22	FY 2022-23	FY 2023-24
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Financing Sources:							
Beg. Unassigned Fund Balance	$ 2.4	$ 0.6	$ 0.6	$ 0.6	$ -	$ -	$ -
Cancellation of Restricted Fund Balance	5.5	5.3	5.3	5.3	-	-	-
Cancellation of Assignments	12.9	40.3	48.9	49.0	-	-	-
Cancellation of Strategic Reserve	-	-	-	-	-	-	-
Revenues	647.2	669.8	679.8	663.5	662.1	670.2	681.5
Total Financing Sources	**$ 667.9**	**$ 716.0**	**$ 734.6**	**$ 718.4**	**$ 662.1**	**$ 670.2**	**$ 681.5**
Financing Uses:							
Restricted Fund Balance	$ 6.9	$ -	$ -	$ -	$ -	$ -	$ -
Assignments	19.3	-	-	-	-	-	-
Strategic Reserve	0.5	-	-	-	-	-	-
Expenditures	640.2	716.0	734.6	718.0	702.9	713.8	727.1
Adjustment - Est Salary Savings	-	-	-	-	-	-	-
Total Financing Uses	**$ 666.9**	**$ 716.0**	**$ 734.6**	**$ 718.0**	**$ 702.9**	**$ 713.8**	**$ 727.1**
Ending unassigned fund balance	**$ 1.0**	**$ -**	**$ 0.0**	**$ 0.8**	**$ (40.7)**	**$ (43.6)**	**$ (45.6)**

Current Fiscal Year Estimated Results

Positive results are expected in the current Fiscal Year in the middle of unprecedented economic constraints[1]. The Board's vision and support along with responsible stewardship of County departments is evident in the current year, with the County forecasting a balanced budget for FY 2020-21. This positive result could not have been achieved without the utilization of assignments and CARES revenues to respond to the pandemic; and continuous management of operational budgets by Departments. Estimated expenditures and revenues for the current year (as estimated by Departments) are respectively $16.6 million and $16.3 million below budget. The decrease in expenditures is primarily due to salary savings for vacant positions. To the extent departments do not fill positions this also decreases reimbursement-based revenues from federal and State agencies. The forecast assumes no funds will be transferred to assignments, however, at year-end, programs that have revenues that are restricted and exceed expenditures for the program will typically transfer funds to assignments.

PERS rate increases continue to drive deficits in Departmental forecasts. Department forecasts generally assume vacancies are filled, resulting in increased salary and benefit costs projections. However, a comparison of budgeted versus actual salary costs illustrates that savings consistently

[1] These results do not include estimated $12.7 million in CARES revenues corresponding to FY 2019-20 which could be accrued to FY 2020-21; this revenue is not included as the CAFR for FY 2019-20 is not available as of the date of this publication.

occur due to attrition and turnover. As such, the County Administrative Office (CAO) again added a salary savings adjustment that lowers overall projected expenditures by $12.1 million to $12.4 million annually by the end of the forecast period. After making the salary adjustment, the forecast reveals a forecasted deficit of $28.6 million next fiscal year, growing to $33.2 million by FY 2023-24. This forecast assumes no wage increases, so if increases were approved by the Board; the total projected deficit would grow. A significant factor impacting the deficits are higher contribution rates going towards paying down CalPERS' large unfunded pension liabilities and continued increases in the County's general liability insurance program and Worker's Compensation. Even with a salary adjustment, County staff are conservative when estimating revenues and expenditures with actual performance generally favorable compared to forecasts. These hypothetical deficits are based on current operations and policy and do not include future service enhancements, wage increases for expiring labor agreements after FY 2020-21, changes in federal or State financial commitments, or revenue declines in an economic downturn.

Current year discretionary revenue grows mostly due to property taxes revenue and one-time CARES revenue, but other revenues decrease. Discretionary revenue is vital as it helps general fund departments cover costs increases and prevent service impacts. Discretionary revenues grow in the current year by $13.7 million over the modified budget; with most of the growth coming from property taxes $0.7 million and CARES revenue $28.1[2] million. Conversely, sales tax ($1.2 million) and transient occupancy tax ($4.1 million) are estimated to decrease from the modified budget as result the pandemic's impact on the economy. As previously mentioned, the forecast does not estimate any cannabis revenue will be added to the cannabis assignment as all current estimated revenue of $15.4 million was allocated to departments as discretionary revenue during the FY 2020-21 budget cycle. However, if cannabis revenue is higher than the $15.4 million estimate, the cannabis assignment could see growth. It is worth noting, without the receipt of the CARES revenue the County would have ended the year at deficit and would have needed to make reductions to services.

In addition to these revenue impacts, the County also faces potential budget gaps in several departments as result of impacts from the pandemic. Detailed information about these impacts will be presented to the Board of Supervisors (Board) during their February 9 meeting. The results of those impacts and subsequent Board direction are not included in the forecast.

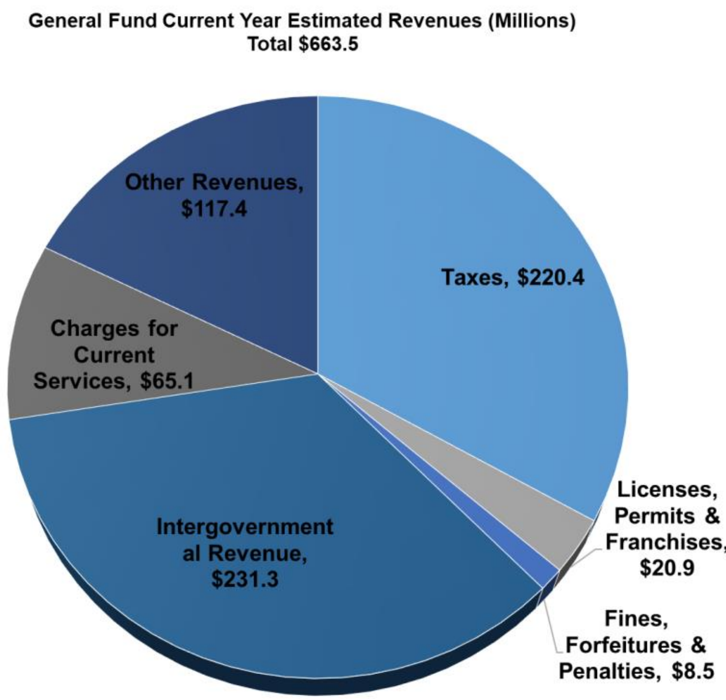
Next year, the County will face the impact of major cost drivers exceeding available funding. This is true even with $15.4 million in cannabis revenues included as part of preliminary general fund contributions (GFC). As of the writing of this report there remained a $6.6 million gap needed for COWCAP and general liability increases.

A cautious approach to future financial decisions given uncertainty of revenues. Looking into the future, the County, like the State and other local governments, must continue to plan for a stable and sustainable future for coming generations by maintaining its Strategic Reserve, addressing infrastructure needs, and paying down unfunded liabilities. The financial forecast assumes that the economy continues to grow through the forecast period and does not include potential impacts that may result from possible federal or State policy changes or impacts of a recession or current year discretionary revenue declines.

[2] This amount does not include an estimated $12.7 million in CARES revenue related to FY 2019-20 activity since the FY 2019-20 CAFR is not available as of the date of this publication.

While some growth is assumed in forecasted years, it is not enough to cover increases in costs for current levels of staffing and services. Furthermore, planning for service delivery in unprecedented times created by the global pandemic continues to be an issue of concern for the State as well as local governments considering the U.S. has seen the largest number of infections in the world. Any new budget commitments will increase the severity of cuts the County would have to make in an economic downturn. Given these uncertainties and events, continued prudent financial management practices, including limiting new on-going commitments or expansion of programs, seems appropriate for the current environment.

General Fund Revenues



General fund revenue is composed of program and non-program revenue. Program revenue is specifically designated and/or statutorily required for programs. Sources of program revenue are derived from State and federal aid for various mandated programs primarily in Health and Social Services, charges for services are primarily fees collected by health clinics and other revenues include primarily reimbursement from realignment funds for health, social services, and public safety programs.

Non-program or "discretionary" revenues are mostly derived from taxes and are utilized to address local priorities and to provide funds to leverage federal and State monies, including maintenance of effort requirements.

Current year revenues are $16.3 million below budget expectations. The major causes of the decrease in revenue in the current year include:

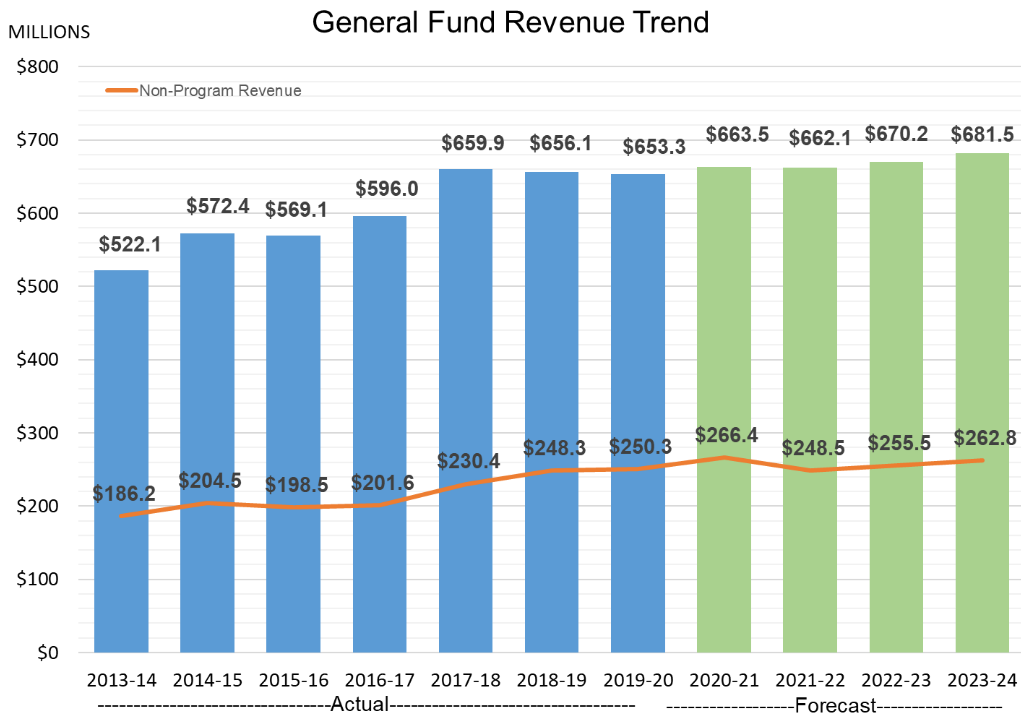
- **Revenue in the Health Department is $11.5 million below budget:** The Health Department is estimating a decrease in health fees and lowered reimbursements due to a lower than anticipated level of service due to vacancies in revenue generating operations and redirection of staff to the pandemic's response.

- **Revenue in Social Services is $14.5 million below budget.** Social Services is estimating revenue below budget due to revenue generating activities being lower than budget and redirection of staff to respond to the pandemic. Examples of these activities include CalWORKS entitlement payments due to caseload decline ($1.0 million), lower maintenance of Effort (MOE) in Home Supportive Services ($600,000), and a decrease in Out of Home due to a smaller foster care caseload and emergency placement costs ($2.9 million).

- **Elimination of Produce Inspection reduces reimbursements in Agriculture Commissioner**. In November 2019, the Board of Supervisors adopted an ordinance repealing Chapter 10.16 of the Monterey County Code, thereby eliminating the Produce Inspection program. As such, the department is anticipating a loss of $0.7 million in reimbursements with a corresponding reduction in expenses.

Overall reductions in revenue are offset by a $14.2 million increase in other revenue sources, mostly due to the receipt of federal funding to aid the County on the response to the pandemic. The graph below illustrates the general fund revenue trend based on actual performance and forecasted amounts.

Forecasted years assume modest growth in revenues. Departments balance their budgeted expenditures based on a combination of revenues earned directly by the program (State reimbursement, permit fees, clinic charges, etc.) and County contributions of discretionary "non-program" revenue.

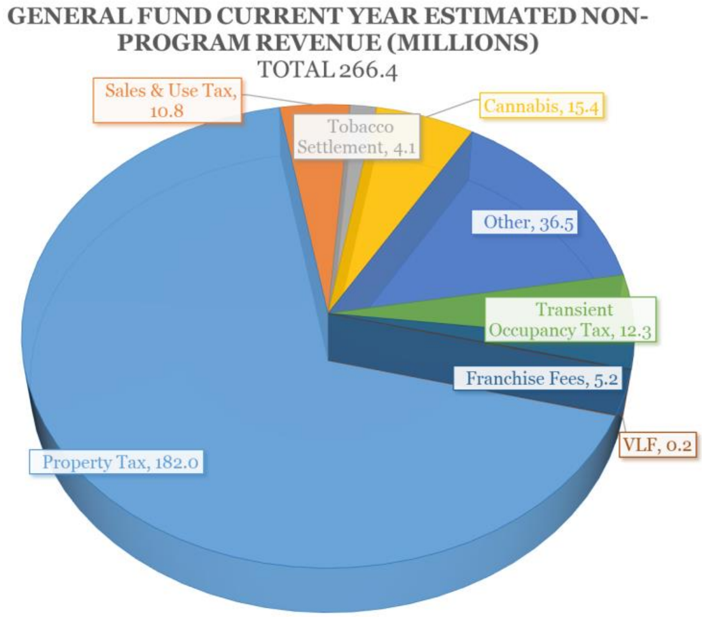


Since FY 2013-14 the County's program revenues have mostly grown under state-county realignment and the Affordable Care Act to support increased responsibilities and associated costs, including mandated public assistance and health and public safety programs. For FY 2021-22, general fund revenues decline $1.4 million, 0.2% under current year expectations. The decrease is mostly attributed to one-time CARES revenue received in FY 2020-21. Adjusting for this one-time revenue, General Fund revenue increases in the forecast years due to State and federal reimbursements, and an increase in non-program revenue, specifically modest growth in property taxes. The chart above reflects the overall general fund revenue trend and the non-program revenue trend, which accounts for approximately one-third of general fund revenues.

Discretionary Revenues

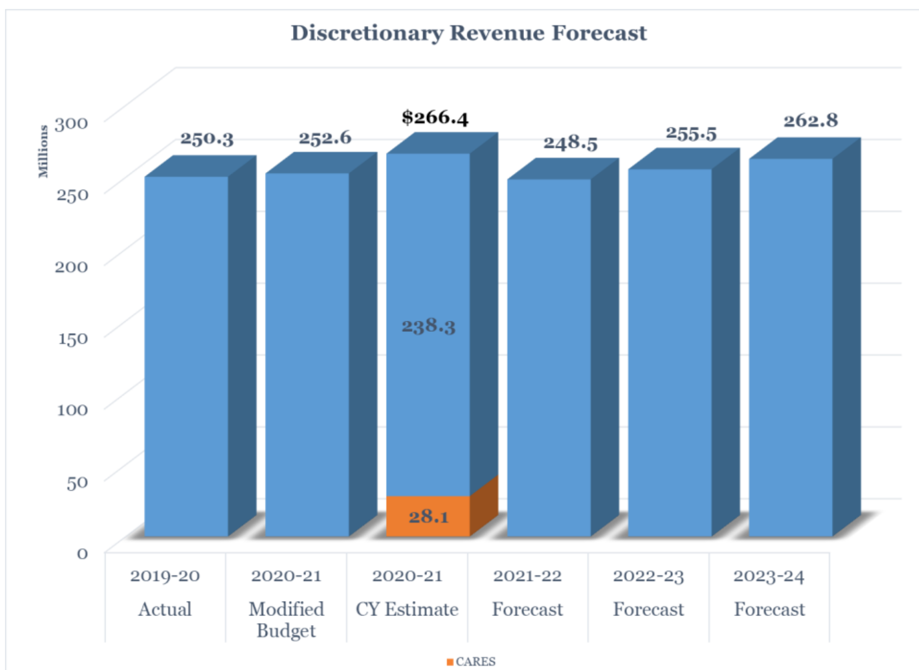
Discretionary revenues provide the Board flexibility to address local priorities and to provide matching funds to leverage federal and State monies and to meet maintenance of effort requirements.

Property tax revenue account for majority of local discretionary monies. Sources of non-program revenue are displayed in the chart to the right. Total non-program revenue in the current year is estimated at $266.4 million.



Property tax revenue is the largest source of non-program revenue, projected at $182 million (68%) of total current year estimated non-program revenue. Other significant sources of discretionary revenue include: $36.5 million other revenue (including the General Fund portion of CARES revenue); $12.3 million in TOT; $15.4 million in Cannabis revenue; $10.8 million in sales and use tax revenue; franchise fees of $5.2 million and tobacco settlement monies of $4.1 million.

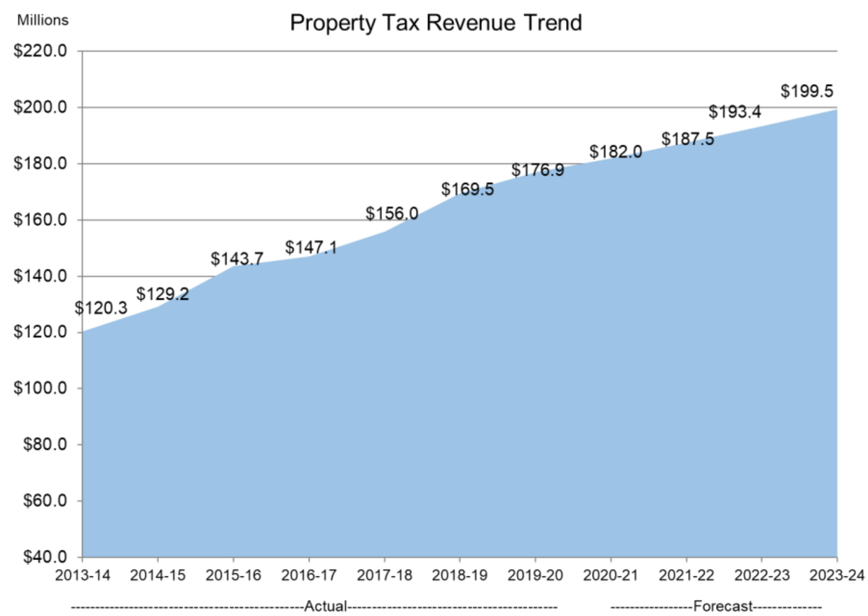
Discretionary revenue continues to grow in coming years. The chart to the right reflects the projected non-program revenue in the current year, upcoming budget year (FY 2021-22) and two out years. Projected current year non-program revenue is above budget mostly due to the recognition of an additional $28.1 million in CARES revenue. The forecast assumes modest continued growth in non-program revenue (after excluding the one-time CARES revenue received in FY 2020-21) primarily due to positive trends in property tax collections resulting from higher assessments. Next fiscal year, non-program revenue grows $10.1 million over the current year end estimate. However, even with the $10.1 million increase; revenue is projected to contract by $4 million in FY 2021-22 compared to the



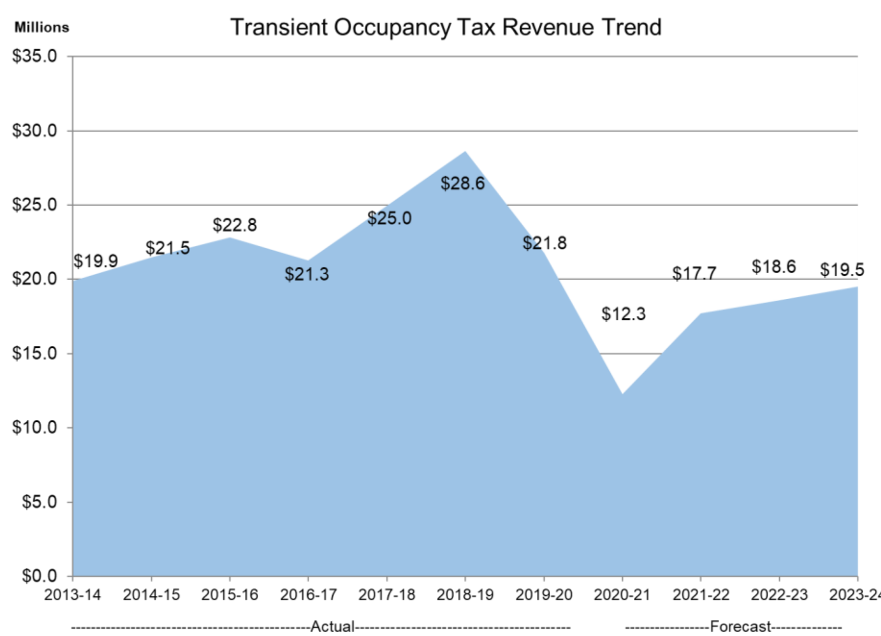
current year budget. Year over year growth in the two out years is projected at approximately $7 million and $7.3 million respectively.

Increases in property assessments result in modest discretionary revenue growth. While the forecast assumes moderate growth in property tax assessment, the impact of a recession on property tax revenue should be noted. During the economic recession beginning FY 2008-09, property taxes sustained steep reductions, declining $15.6 million from peak to trough. This impacted County services and was the driving factor behind four years of budget reductions following the onset of the recession. Assessed values have steadily recovered and since exceeded pre-recession levels.

As seen on the chart, property taxes continue to grow but the rate of growth has declined. Next year, the forecast assumes a lower growth in assessments, currently projected at 3.3% which produces $5.5 million growth in property tax revenue. The two out years include a similar conservative growth assumption of 3.5% each, yielding additional revenue of $5.9 and $6.1 million each year. However, it is important to note that the pandemic may have long term effects in the economy which could be reflected in the out years, so this revenue should be carefully monitored for any potential impacts from changing economic conditions in the County.



Transient Occupancy Tax trend of positive results impacted by the pandemic. TOT is the County's second largest source of discretionary revenue. Often referred to as the "hotel tax," TOT is the tax applied on hotel/motel accommodations. Various tourist attractions contribute to the County's TOT, including the County's Laguna Seca Recreation Area (LSRA). The tax rate for Monterey County is 10.5%. Last fiscal year, TOT revenues decreased $6.8 million over the prior year. FY 2018-19 included revenue attributable to the U.S. Open, a one-time event, as well as continued efforts by the

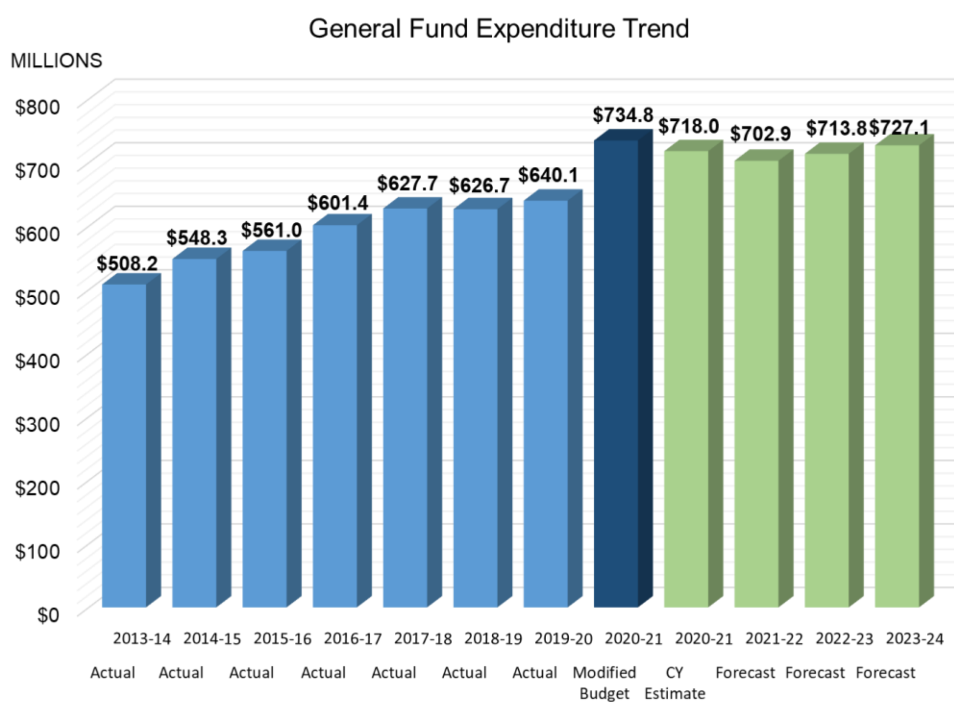


Treasurer-Tax Collector in recuperating one-time collections for non-complaint Short Term Rental operators. FY 2019-20 revenue was affected by the pandemic and corresponding stay at home orders. The current year estimate conservatively assumes collections of $12.3 million as the pandemic continues to affect the economy with the hospitality industry being affected particularly hard. As of the writing of this report, current year data shows revenue collected for half a year is on track to meet the $12.3 million estimate. This is almost half of what the County would collect on a typical year. This same revenue source is projected to grow slowly next FY and the forecast years as the economy begins to recover from the impacts of the pandemic.

Cannabis revenues to support on-going cannabis program and reduce financing needs in upcoming budget process. The adopted budget included $5.5 million in cannabis revenues to support 26.48 FTEs for the implementation of the County's Cannabis Program and $9.9 million as discretionary revenue supporting all County departments. Services and equipment in various County departments were also funded to carry out the program. In addition, as of the writing of this report, the Board authorized $18.3 million dollars to fund one-time expenses in the current fiscal year from the cannabis assignment. In total, 26.48 positions have been added towards the County's cannabis program. Cannabis revenues are estimated conservatively to remain flat into next fiscal year and the forecast years at $15.4 million.

General Fund Expenditures

The FY 2020-21 adopted budget included appropriations of $715.9 million. The modified budget is $734.8 million. Some of the changes include modifications of $18.6 million to the Office of Emergency Services budget to address the Emergency Operations Center costs to respond to the pandemic. Some of that increase was funded by the cannabis assignment and some was funded by CARES revenue. In addition, a modification of $3.4 million occurred in the Sheriff's Office funded by CARES revenue for the departmental response to the pandemic.



Current year expenditures are estimated at $718 million, or $16.6 million below budgeted expenditures. The primary factor decreasing expenditures in the current year is salary and benefit savings of $22.1 million resulting from vacancies across the County. At the writing of this report, the County had an overall 11% vacancy rate in the general fund. There are an estimated 372 vacancies in the general fund, with an estimated annualized value of $48 million next fiscal year. Of these vacancies, approximately 54% reside within two departments: Health and Social Services. To the extent these departments fill vacant positions, it is likely they would qualify for some level of reimbursements from State and federal agencies. However, vacancies in these departments do not translate into County savings to the extent departments cannot seek reimbursement from State and federal agencies for costs not incurred. The same holds true for departments with grant-funded vacancies or departments that share cost with other payors.

For next year's forecast, departments generally assume that all vacancies are filled and at top step. This conservative estimate illustrates potential increases in expenditure levels; however, expenditures are curtailed to available funding. As responsible fiscal managers, Departments make operational changes if funding levels are constrained, including delaying hiring of vacant positions. An adjustment for salary savings is made in the forecast years. This adjustment is discussed later in the report.

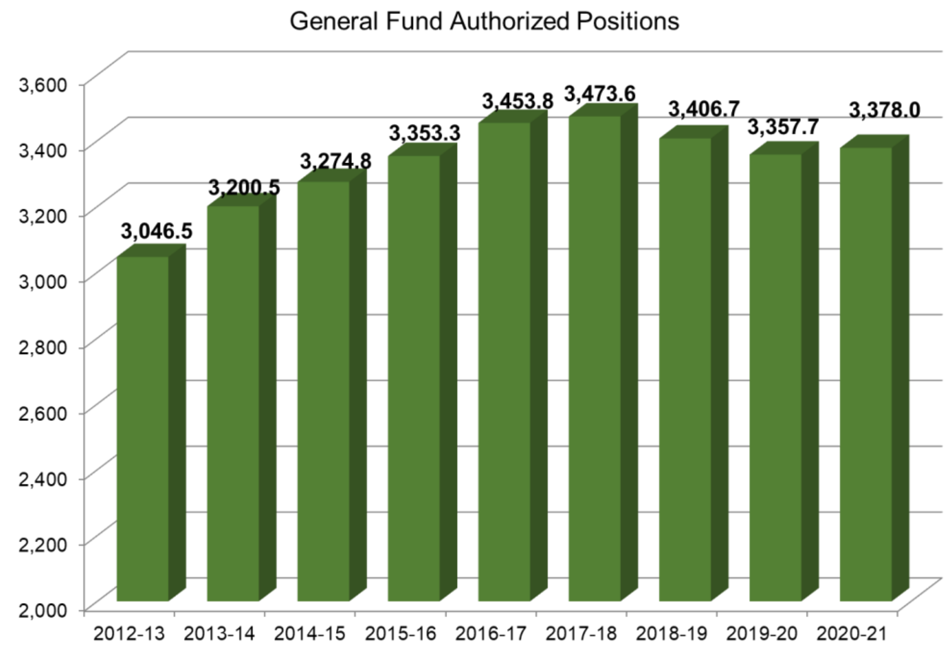
One-time and on-going expenditures in the current year are financed with fund balance. The FY 2020-21 adopted budget included $46.2 million use of fund balance to cover one-time and on-going expenditures. These uses of fund balance includes $26 million for two programs including building depreciation and the vehicle replacement program that moved from the General Fund to the Resource Planning fund. The first transfer is to the Building Improvement and Replacement (BIR) subfund; reserving $15.5 million for the COWCAP amounts designated for this program. The second transfer in the amount of $10.5 million accounts for the Vehicle Replacement Program (VRP) funds which were initially accounted for in the general fund and are being transferred to the VRP subfund. Other fund balance uses inlcude $4.5 million in cannabis assignment to cover one time priorities funded by the Board during budget adoption, and $7.1 million from the general capital assignment to cover general fund depreciatiion expense associated with the COWCAP.

While one-time expenditures go away in the upcoming year, salary increases related to the Board approved bargaining agreements for FY 2019-20 and FY 2020-21 and other major cost drivers such as pension contributions, healthcare costs, general liability, and workers' compensation consume next year's expected gain in discretionary revenue. Major cost drivers are discussed in detail in the following section.

Major Cost Drivers

County programs and services continue to be impacted by higher labor costs resulting from negotiated salary increases, increased employer pension contributions, increased healthcare costs, higher workers' compensation and general liability costs.

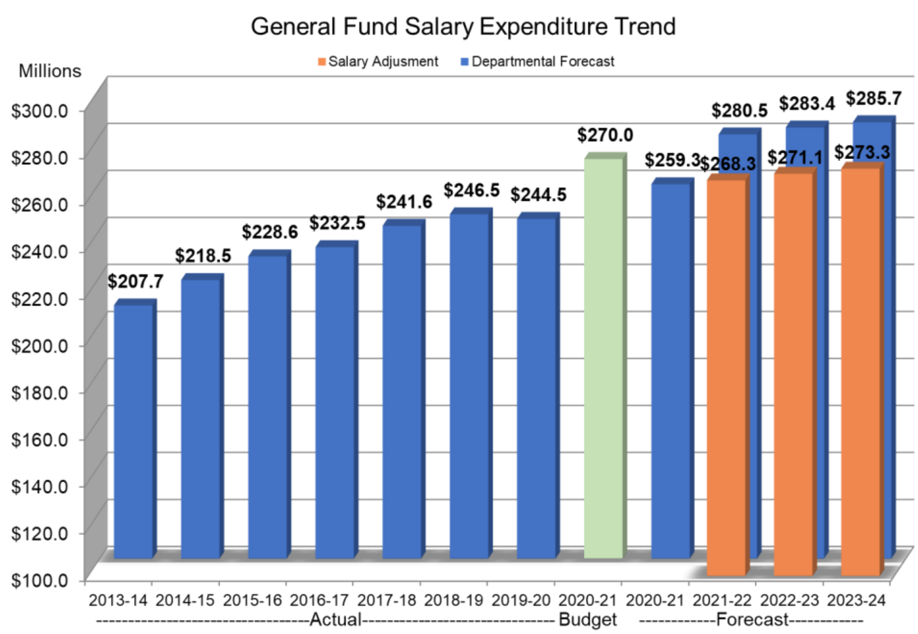
Prior and current fiscal year wage increases add to salary cost. In September 2019, the Board of Supervisors approved wage increases for FY 2019-20 and FY 2020-21. The Board approved wage increases for most labor groups of 2.0% in the prior year and 3.0% in FY 2020-21. Most safety bargaining units received increases of 2.0% in the FY 2019-20 and 3.0% in FY 2020-21. Independent of position growth, wage increases approved for the two fiscal years had and estimated impact of $12.5 million in cost to the general fund. The forecast does not account for any potential wage



increases in FY 2021-22 as most labor contracts expire by the end FY 2020-21 and no new agreement is in place. If wage increases were to occur for FY 2021-22, the County's general fund could face additional unfunded expenditures.

Along with increases in staffing levels, salary increases continue to constrain department's budgetary flexibility. Between FY 2012-13 and FY 2017-18, general fund positions increased year-over-year, with a total of 427.1 general fund positions added. However, FY 2018-19 was the first-year general fund positions experienced an overall drop with additional reduction in position level in FY 2019-20; but positions grew again in FY 2020-21.

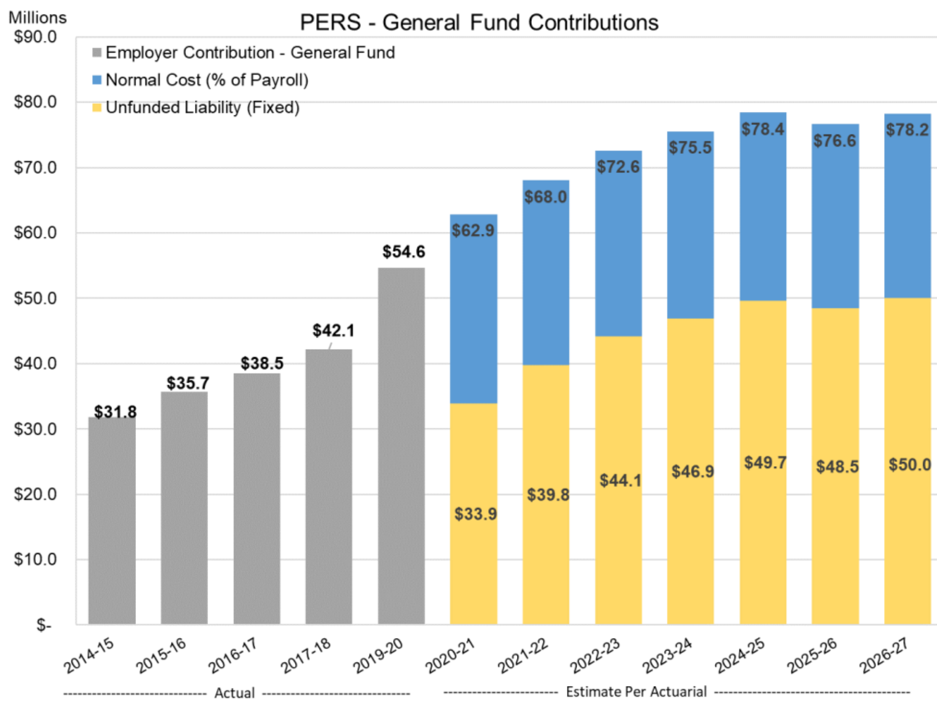
Departments estimate salary expenditures increase $14.8 million, from $244.5 million in the prior year to $259.3 million in the current year. As mentioned earlier in the report, departments generally forecast all vacancies are filled and at top step. Departments manage their budgets to anticipated funding levels, and thereby make changes to their operations – including delaying hiring. Additionally, savings in salaries have consistently occurred due to attrition and turnover. As such, the forecast added a salary savings adjustment to more closely illustrate prior years' experience in salary expenditures. Taking the salary adjustment into consideration, salary expenditures increase to $273.3 million by FY 2023-24. The forecast does not include future wage increases for labor agreements beyond FY 2020-21 as labor agreements are set to expire by the end of that fiscal year.



Employer contributions continue to see increases due to changes in CalPERS' actuarial methodology. The County continues to see its contributions towards employee pensions increase. Driving the increases are changes to CalPERS' actuarial methodology, including the following actions:

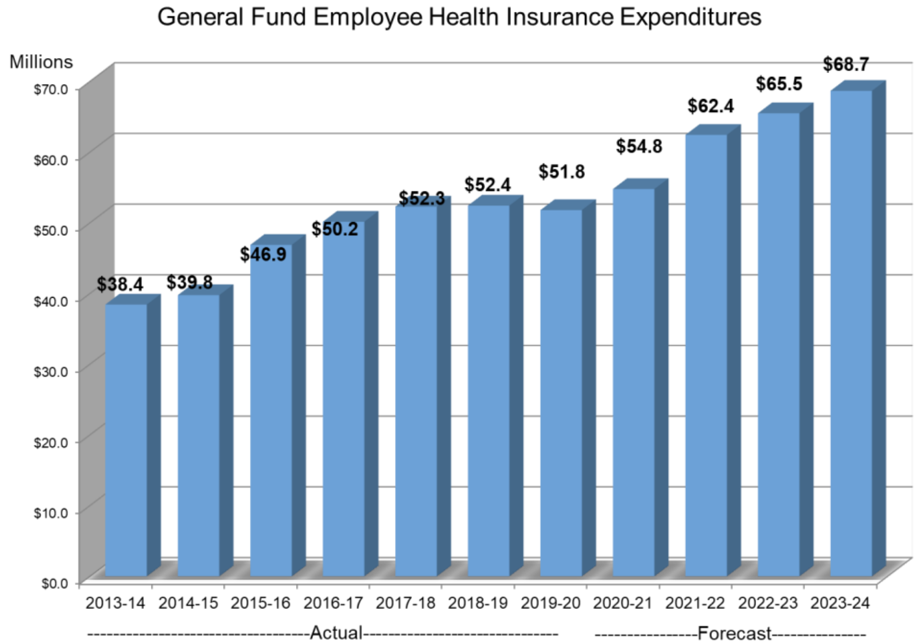
- Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.
- Change to fixed dollar contribution for the unfunded liability portion, rather than as a percentage of payroll, to prevent potential funding issues that could arise from a declining payroll.
- Adoption of new demographic assumptions that show retirees living longer, and thus requiring higher lifetime payout of benefits.
- Approval of a new funding risk mitigation policy to incrementally lower the discount rate.

Projected results assume no plan changes, no changes in assumptions, and no liability gains or losses. Additionally, projected results are based on investment returns not falling below the assumed rate of return, which will increase contributions. Any changes to those elements will have a direct impact on required contributions.

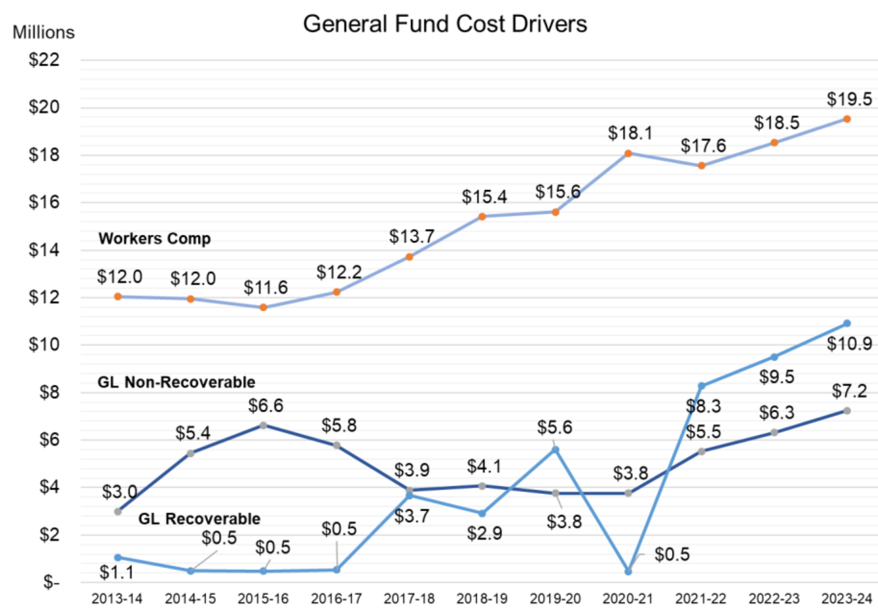


General fund contributions increase sharply in the forecast years with an increase of $5.1 million next fiscal year bringing the total contribution to $68 million, more than double the FY 2014-15, and grow $15.3 million by FY 2026-27. The most significant change impacting contributions is the reduction in the "Discount Rate," which reduced the assumed rate of return by CalPERS from 7.50% to 7.0% over three years, beginning with the June 30, 2016 valuation. The result has been a continued increase in agencies contribution levels. The change was made by CalPERS due to expectations of lower investment returns. While a lower discount rate helps the CALPERS reduce the risk of funding issues and cash flow gaps, the impact to the County is a larger share of revenues being consumed to pay for contribution increases. The contributions for FY 2020-21 are based on a 7.0% discount rate. The projections in the chart above are based on CalPERS actuarial valuations, which are built on actual payroll data obtained by CalPERS, and therefore, based on existing levels of filled staffing. The County's current unfunded liabilities of $762.5 million represents more than next year's forecasted general fund budget.

Increases in health insurance premiums continue to add to Countywide fiscal pressures. Health care costs have grown $13.4 million since FY 2013-14 and are forecasted to increase another $16.9 million over the next four fiscal years. In the current year, health costs are estimated at $54.8 million, or $3 million over last fiscal year. The Human Resources Department is anticipating a 6.0% annual growth for FY 2021-22 and the remainder of the forecast period based on historical experience, resulting in a $7.6 million increase in FY 2021-22 assuming all positions are filled. Additionally, the forecast projects a $3.1 and $3.2 million increase in FY 2022-23 and FY 2023-24 respectively. In addition to rate increases, the liability for retiree health expenses continues to be a concern as is currently estimated at $33.6 million.



Sharp increases in costs to run internal service fund programs. The workers' compensation program continues its trend of increasing projected allocated costs. FY 2020-21 costs are estimated at $18.1 million and project a small decrease to $17.6 million before continuing to grow to $19.5 in FY 2023-24. This type of growth represents a $7.5 million increase from FY 2013-14 costs. The general liability (GL) program's allocated costs to departments also continue to increase as shown in the forecast. Costs for this program



were $4.1 million in FY 2013-14 but are estimated to grow to $18.2 million by FY 2023-24. That represents growth of 448% in ten years.

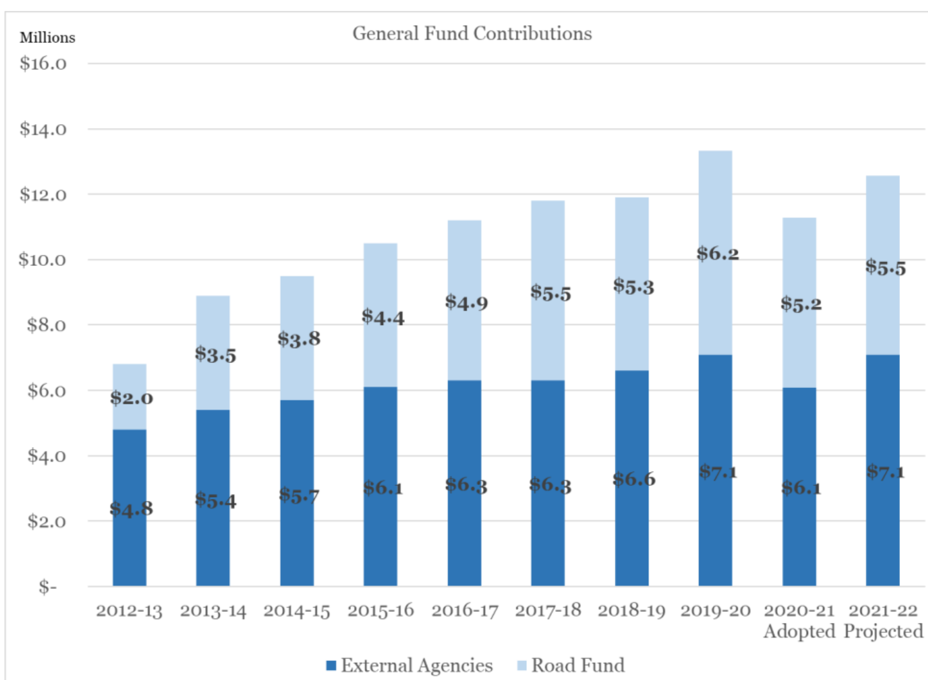
The chart to the right, shows recoverable general liability costs decreasing in FY 2020-21. That decrease is a result of the suspension of the charges of GL recoverable costs to general fund departments due to budgetary constraints. If costs for that period were included, GL costs would have increased to $9 million, instead of the half million shown in the chart.

Funding Commitments

In addition to operational cost drivers, County policy provides for funding towards external agencies and to the Road Fund. Funding agreements are based on percentage formulas, which have generally resulted in increased annual contributions in recent years. These commitments total $11.2 million in FY 2020-21 and result from the following:

- **Funding to external agencies in support of their mission to economic development.** County policy provides funding for agencies that promote economic development, tourism and cultural arts. Contributions to these endeavors has varied over time as the County's contribution adapts to the economic conditions facing the community. For example, during FY's 2016-17 and 2017-18, contribution amounts were capped at FY 2015-16 levels, or $1.9 million, due to fiscal constraints. In FY 2018-19, contributions returned to formula based; however, in FY 2019-20 contributions were again capped and include $2.1 million from TOT and in FY 2020-21 the contribution was budgeted on a formula driven approach amount but with a cap reflecting the anticipated decline of TOT revenue. Accordingly, the amount included in the FY 2020-21 budget for this purpose is $1.2 million. Next year, contributions are estimated at the same contribution percentages as indicated in the financial policies to keep consistency of forecasting assumptions throughout the forecast. However, when the recommended budget is prepared the Board will decide in these distribution percentages for this funding continues or not based on current economic conditions.

- **Proposition 172 revenues (Half-Cent Public Safety Tax).** The County distributes Proposition 172 revenues based on funding agreements to user agencies of the 911 dispatch center and to fire districts to promote public safety. These contributions are at the discretion of the Board. The FY 2020-21 contributions to user agencies of the 911 center total $1.7 million and the allocation to the fire districts is $3.1 million. Both amounts are the same



as those amounts contributed the prior year as the Board of Supervisors directed to keep the amount fixed due budgetary constraints. Next year, contributions are estimated at $3.3 million for fire districts and $1.8 million for user agencies.

- In FY 2013-14, the Board adopted a policy to contribute a percentage of TOT revenue to the Road Fund, recognizing that well maintained roads are vital to the local economy. In FY 2019-20, the Board approved adjusting the contribution to the Road Fund at a level necessary to meet maintenance of effort (MOE) with the difference directed to Board approved road projects. In FY 2020-21 the amount was kept at the minimum MOE required. Based on current formulas, next fiscal year, the estimated contribution to the Road Fund to meet MOE is $5.5 million.

Emerging Countywide Needs

The following table summarizes emerging needs including departmental cost pressures that will require budget solutions beginning in the current year and next fiscal year. The known costs total $20.9 million in the current year and $7.3 million in the general fund next fiscal year.

Emerging Needs	FY 2020-21	FY 2021-22
Worker's Compensation, GL Increase		$ 7,332,483
Decrease in Programm Revenue	$ 1,814,000	
PERS Contribution Increase		
Pandemic Response Costs	$ 19,171,000	TBD
Total	**$ 20,985,000**	**$ 7,332,483**

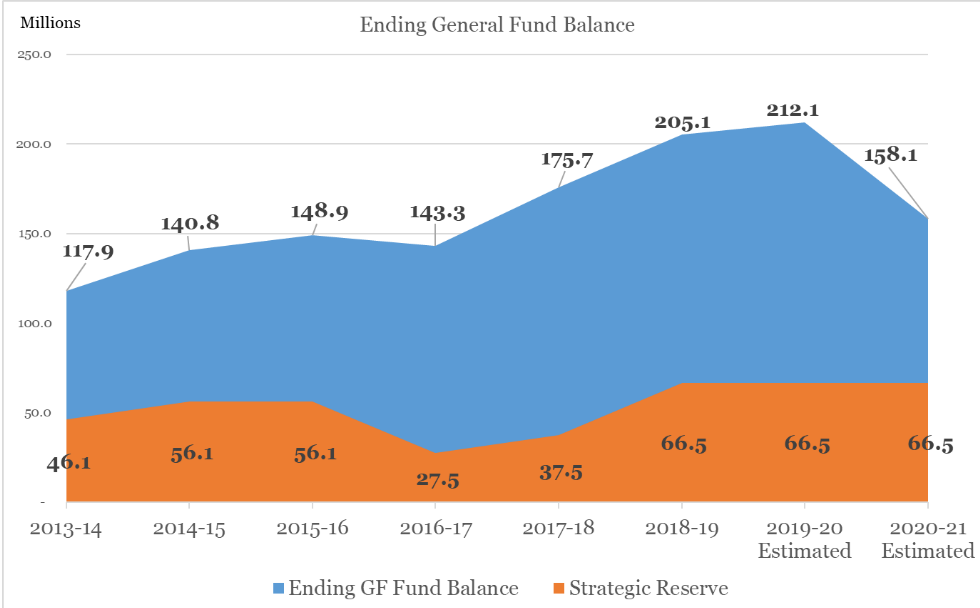
Worker's Compensation and General Liability. Preliminary GFC contributions include and adjustment to account for the GL and WC projected increases in the new fiscal year, but non program revenue increases are not enough to cover all the increase in costs. The combined costs increase for all two cost drivers is $7.3 million.

Pandemic Impacts. The pandemic has had a significant impact in program revenue for multiple departments. The figure in the table above reflects the program revenue reduction resulting from the pandemic in the former RMA department. This revenue reduction impact was presented to the budget committee and the Board of Supervisors. After the presentation of this need, the Board approved one-time revenue to cover the gap in FY 2020-21, but FY 2021-22 could see a similar gap in funding in the economy does not recover next fiscal year.

Pandemic Response. Impact to County operations will likely continue into FY 2021-22. Specific impacts will be estimated during the budget preparation cycle, but if impacts are like FY 2020-21; the County could face significant economic impacts. As such, the evolution of the pandemic will continue to be monitored so that early action could be taken once specific impacts are identified.

Financial Reserves

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. Historically, the County has invested year-end surpluses and one-time gains in its strategic reserve and other key investments, resulting in improvement to the County's ending fund balance each year.



The FY 2020-21 adopted budget includes $54 million in use of fund balance including funds authorized from restricted fund balance and other assignments. Based on the planned fund balance use, the estimated general fund balance at year-end 2020-21 is $158.1 million. It is worth nothing that at the time this report was written, the Comprehensive Audited Financial Statements (CAFR) was not available; therefore, fund balance figures for FY 2019-20 are estimated.

The County has previously built up the general fund strategic reserve to $56.1 million by FY 2015-16. Because of these prior investments and prudent financial planning, the County has been able to respond to natural disasters and extraordinary legal costs during FY 2016-17 by redirecting $30.9 million towards these unforeseen costs. Because of favorable results in the last four years, the County was able to invest reaching 10% of estimated annual general fund meeting the Board' strategic reserve policy ceiling.

As illustrated in the above graph, unforeseen costs can easily reduce reserve levels. Without the prior investments, the County may not have been able to respond to the magnitude of costs due to unforeseen events or the recession during FY 2008-09. As of the writing of this report, the Board was considering potential use the strategic reserve to mitigate some of the impacts resulting from the pandemic to its FY 2020-21 budget. For this reason, it is important to continue to preserve the County's finances, and align expenditures to available ongoing revenues, to be better prepared for future events including an economic downturn.

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 authorized general fund contributions adopted by the Board. The resulting forecast summaries help identify potential areas where service capacity may be impacted as a result of projected changes in expenditures and revenues. Departmental summaries offer a tool to assist the Board of Supervisors in prioritizing the distribution of discretionary general fund contributions in the upcoming budget process.

Per County policy, Departments forecasting current year deficits are required to prepare and submit a Budget Committee report outlining the cause of the problem, the alternatives available to mitigate the projected deficit, and the Department's recommended action. In the current year, Departments estimating a deficit include: Health, Probation, former RMA Department, Social Services, Treasurer

Tax Collector, and the Sheriff's Office. It is worth noting that if CARES revenues are accounted, deficits in most departments would be eliminated.

General Fund Contributions

Departments are provided preliminary estimates of general fund contributions for purposes of building their initial "baseline" budgets. The initial GFC estimates represent preliminary allocations of discretionary general fund monies to be used for planning purposes. Departments use these monies to supplement program-specific revenues to finance operations.

Preliminary GFC planning estimates for the budget year and forecast years were based on current year GFC allocations with the following adjustments:

- Worker's Compensation & General Liability Increase Adjustments – ongoing cannabis revenue continues to be combined with discretionary revenue up to the $15.4 million limit approved by the Board during the FY 2020-21 budget.
- Cost Plan Adjustment – preliminary GFC planning estimates did not include an adjustment to departments GFC for anticipated cost plan charges or credits. Since the preliminary GFC estimates were distributed, the Auditor-Controller's Office has published updated countywide cost plan allocation (COWCAP) amounts to be applied next fiscal year. An updated GFC estimate was distributed to departments to include an adjustment for COWCAP. Per the Board's prior direction, updated GFC estimates redistributed preliminary GFC allocations across general fund departments to make the updated COWCAP a budget-neutral event (to the extent of available resources) and minimize the COWCAP's impact to general fund departments.
- Since discretionary revenues were not enough to cover all cost increases a reduction of $6.6 million was made to the Departments GFC allocations.

Departmental Forecasts

Departmental forecasts assume general fund contribution (GFC) is static in fiscal years 2022-23 and 2023-24. As such, the upcoming budget year 2021-22 includes preliminary GFC figures as approved by the Board for adopted levels of staffing and services and assumes growth in discretionary revenue is distributed using the same priorities in the forecast years.

Agriculture Commissioner	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$10,760,100	$10,760,100	$11,566,427	$11,922,430	$12,199,964
B. COWCAP	1,117,424	1,117,424	1,117,424	1,117,424	1,117,424
C. Total Expenditures	11,877,524	11,877,524	12,683,851	13,039,854	13,317,388
D. Revenue	7,801,848	7,871,848	7,577,957	7,362,779	7,362,779
E. Financing Need, C-D	4,075,676	4,005,676	5,105,894	5,677,075	5,954,609
F. Preliminary GFC	4,075,676	4,075,676	4,190,430	4,190,430	4,190,430
G. Surplus/(Deficit), F-E	$ -	$ 70,000	$ (915,464)	$ (1,486,645)	$ (1,764,179)

Agricultural Commissioner – The Agricultural Commissioner's Office expects to end the current year with $11.9 million in expenditures, $7.9 million in revenues, and a general fund contribution of $4.0 million resulting in a year-end surplus of $70,000. The surplus is primarily due to an increase in fines. In the forecast years, the projected expenses increase due to increased salary and benefit costs, loss of the Produce Inspection Program's portion of overhead costs reimbursement, and an increase in non-recoverable liability insurance. Additionally, revenues decrease in the forecast years due to the end of a three-year deferred gas tax payment which will conclude in FY 2020-21 and the elimination of the Produce Inspection Program.

Auditor-Controller	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$ 6,846,214	$ 6,633,643	$ 7,111,900	$ 7,334,915	$ 7,462,590
B. COWCAP	(5,935,635)	(5,935,635)	(5,935,635)	(5,935,635)	(5,935,635)
C. Total Expenditures	910,579	698,008	1,176,265	1,399,280	1,526,955
D. Revenue	517,754	516,912	514,653	514,653	514,653
E. Financing Need, C-D	392,825	181,096	661,612	884,627	1,012,302
F. Preliminary GFC	392,825	392,825	399,188	399,188	399,188
G. Surplus/(Deficit), F-E	$ -	$ 211,729	$ (262,424)	$ (485,439)	$ (613,114)

Auditor-Controller – The table summarizes the finances for departmental operations. The Auditor-Controller estimates ending the fiscal year with expenditures of $698,015 and revenues of $516,912, resulting in a projected surplus of $211,722. The surplus is a result of salary and benefits savings due to vacancies. The deficits emerging in forecast years are driven by increases in PERS retirement and health insurance costs.

Assessor-County Clerk-Recorder	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$ 8,503,948	$ 7,827,536	$ 8,666,201	$ 8,894,305	$ 9,073,599
B. COWCAP	1,346,476	1,346,476	1,346,476	1,346,476	1,346,476
C. Total Expenditures	9,850,424	9,174,012	10,012,677	10,240,781	10,420,075
D. Revenue	4,243,748	4,510,960	4,312,123	4,362,123	4,412,123
E. Financing Need, C-D	5,606,676	4,663,052	5,700,554	5,878,658	6,007,952
F. Preliminary GFC	5,606,676	5,606,676	5,413,482	5,413,482	5,413,482
G. Surplus/(Deficit), F-E	$ -	$ 943,624	$ (287,072)	$ (465,176)	$ (594,470)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of $9.2 million, revenues of $4.5 million, resulting in a surplus of $943,624. The surplus is the result of lower than budgeted expenditures due to unexpected vacancies in the Assessor's office and higher than budgeted revenues due to an unanticipated increase in recordings in the Recorder's office. Projected deficits in the forecasted years are due to estimated step advances and employee benefit costs.

Board of Supervisors	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 3,500,244	$ 3,353,018	$ 3,631,644	$ 3,711,603	$ 3,780,158
B. COWCAP	489,814	489,814	489,814	489,814	489,814
C. Total Expenditures	3,990,058	3,842,832	4,121,458	4,201,417	4,269,972
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	3,990,058	3,842,832	4,121,458	4,201,417	4,269,972
F. Preliminary GFC	3,990,058	3,990,058	3,946,493	3,946,493	3,946,493
G. Surplus/(Deficit), F-E	$ -	$ 147,226	$ (174,965)	$ (254,924)	$ (323,479)

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. The Department projects year-end expenditures of $3.8 million compared to a budgeted County contribution of $4.0 million, resulting a year end estimated surplus of $147,226. The estimated surplus is primarily from salary savings due to a vacancy. The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, PERS, and general liability insurance.

Child Support Services	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$10,539,426	$ 9,814,249	$10,229,947	$10,468,710	$10,672,329
B. COWCAP	1,306,497	1,306,497	1,306,497	1,306,497	1,306,497
C. Total Expenditures	11,845,923	11,120,746	11,536,444	11,775,207	11,978,826
D. Revenue	11,404,094	10,920,522	10,556,428	10,556,428	10,556,428
E. Financing Need, C-D	441,829	200,224	980,016	1,218,779	1,422,398
F. Preliminary GFC	441,829	441,829	-	-	-
G. Surplus/(Deficit), F-E	$ -	$ 241,605	$ (980,016)	$ (1,218,779)	$ (1,422,398)

Child Support Services - Child Support Services is typically funded entirely through federal and state subventions for mandated services. However, in FY 2020-21 the department received a lower allocation from the State (compared to the prior fiscal year) due to significant changes to the child support program in response to the fiscal crisis caused by the COVID-19 pandemic and other economic factors. Accordingly, the Board of Supervisors allocated $441,829 of general fund contribution to balance the FY 2020-21 budget.

It is projected that the State Department of Child Support Services will keep the department's funding allocations status quo in the next 3 years, FY 2021-22, FY 2022-23, and FY 2023-24 which is insufficient to cover existing service levels. The forecast assumes elimination of 8 vacant positions that have not been filled due to the insufficient revenue. Even then, the department is anticipating a need for general fund contribution in the upcoming years to maintain currently filled positions, largely due to a stagnant allocation from the State and additional increases in employee salaries and benefits and increases in County Overhead Allocation (COWCAP) costs. Unless other means are taken to offset escalating costs, the cost increases will impact Child Support Services' ability to maintain existing resources and to continue delivering an important service to the children and families of Monterey County.

Civil Rights Office	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 922,572	$ 922,572	$ 932,858	$ 951,284	$ 972,927
B. COWCAP	(1,164,820)	(1,164,820)	(1,164,820)	(1,164,820)	(1,164,820)
C. Total Expenditures	(242,248)	(242,248)	(231,962)	(213,536)	(191,893)
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	(242,248)	(242,248)	(231,962)	(213,536)	(191,893)
F. Preliminary GFC	(242,248)	(242,248)	(253,747)	(253,747)	(253,747)
G. Surplus/(Deficit), F-E	$ -	$ -	$ (21,785)	$ (40,211)	$ (61,854)

Civil Rights – The Civil Rights Office estimates coming within its budget during the current fiscal year. However, as salary and healthcare costs continue to increase, and civil rights training and investigation services expand to meet organizational needs and state and federal requirements, the department anticipates deficits at current-level funding for forecasted years.

Clerk of the Board	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 780,958	$ 683,039	$ 790,762	$ 815,556	$ 834,955
B. COWCAP	161,239	161,239	161,239	161,239	161,239
C. Total Expenditures	942,197	844,278	952,001	976,795	996,194
D. Revenue	20,000	20,000	20,000	20,000	20,000
E. Financing Need, C-D	922,197	824,278	932,001	956,795	976,194
F. Preliminary GFC	922,197	922,197	859,201	859,201	859,201
G. Surplus/(Deficit), F-E	$ -	$ 97,919	$ (72,800)	$ (97,594)	$ (116,993)

Clerk of the Board – The Clerk of the Board estimates year-end expenditures of $844,278 and revenue of $20,000 and ending the year with a surplus of $97,919. The surplus is mainly due to vacancies. In forecasted years, revenues from assessment appeal applications filings are projected to remain static while expenditures are expected to continue rising due to step advances and employee benefit costs resulting in projected deficits.

Cooperative Extension	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 437,489	$ 437,455	$ 438,978	$ 454,129	$ 464,573
B. COWCAP	39,372	39,372	39,372	39,372	39,372
C. Total Expenditures	476,861	476,827	478,350	493,501	503,945
D. Revenue	27,193	27,301	26,626	26,765	26,989
E. Financing Need, C-D	449,668	449,526	451,724	466,736	476,956
F. Preliminary GFC	449,668	449,668	424,515	424,515	424,515
G. Surplus/(Deficit), F-E	$ -	$ 142	$ (27,209)	$ (42,221)	$ (52,441)

Cooperative Extension - The Cooperative Extension estimates ending the current year with $476,827 in expenditures, $27,301 in revenue and a general fund contribution of $449,526.

Compared to budget, the Department estimates it will end the year with a negligible surplus. The Cooperative Extension projects a deficit in forecast years due to increases in general liability charges and salary and benefit cost increases driven by higher PERS and employee health insurance premiums. Revenue forecasts are also anticipated to have a slight decrease due to budget constraints from the UC.

County Administrative Office	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 25,598,569	$23,559,564	$10,673,122	$10,903,837	$11,080,721
B. COWCAP	(3,951,658)	(3,951,658)	(3,951,658)	(3,951,658)	(3,951,658)
C. Total Expenditures	21,646,911	19,607,906	6,721,464	6,952,179	7,129,063
D. Revenue	1,358,696	1,252,192	403,291	403,291	403,291
E. Financing Need, C-D	20,288,215	18,355,714	6,318,173	6,548,888	6,725,772
F. Preliminary GFC	20,288,215	20,288,215	6,149,030	6,149,030	6,149,030
G. Surplus/(Deficit), F-E	$ -	$ 1,932,501	$ (169,143)	$ (399,858)	$ (576,742)

County Administrative Office - The table above summarizes the finances for the County's Administration "departmental" operations, including Administration and Finance, Budget and Analysis, Contracts/Purchasing, Intergovernmental and Legislative Affairs (IGLA), Emergency Services, Community Engagement & Strategic Advocacy, Fleet Administration, and Mail & Courier.

The Department projects year-end expenditures of $19.6 million, revenues of $1.25 million, and a County contribution of $18.36 million. These projections result in a year-end estimated surplus of $1.9 million. The surplus is attributed to salary savings in CAO Admin & Budget, Housing & Economic Development, Fleet Administration, and increased revenue in Contracts-Purchasing related to Fort Ord Reuse Authority.

The Department is projecting deficits in the forecast years driven by cost increases related to higher salaries, health insurance premiums, PERS, and general liability insurance.

County Counsel	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 5,351,987	$ 5,090,850	$ 5,356,520	$ 5,508,136	$ 5,602,114
B. COWCAP	(1,876,909)	(1,876,909)	(1,876,909)	(1,876,909)	(1,876,909)
C. Total Expenditures	3,475,078	3,213,941	3,479,611	3,631,227	3,725,205
D. Revenue	357,000	485,060	370,000	370,000	370,000
E. Financing Need, C-D	3,118,078	2,728,881	3,109,611	3,261,227	3,355,205
F. Preliminary GFC	3,118,078	3,118,078	2,752,603	2,752,603	2,752,603
G. Surplus/(Deficit), F-E	$ -	$ 389,197	$ (357,008)	$ (508,624)	$ (602,602)

County Counsel - County Counsel estimates it will end the current fiscal year with $3.2 million in expenditures, revenue of $485,060 and a $389,197 surplus. The surplus is due to vacancies, and the estimates could change if vacancies are filled or other expenses arise. The deficits emerging in forecast years are driven mainly by cost increases related to salaries, PERS retirement contribution rates, health insurance premiums, and Workers' Compensation.

District Attorney	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$ 27,651,282	$ 26,756,328	$ 30,095,558	$ 30,693,219	$ 31,289,929
B. COWCAP	7,874,518	7,874,518	7,874,518	7,874,518	7,874,518
C. Total Expenditures	35,525,800	34,630,846	37,970,076	38,567,737	39,164,447
D. Revenue	15,276,205	14,673,812	15,340,721	16,226,428	17,165,774
E. Financing Need, C-D	20,249,595	19,957,034	22,629,355	22,341,309	21,998,673
F. Preliminary GFC	20,249,595	20,249,595	19,303,415	19,303,415	19,303,415
G. Surplus/(Deficit), F-E	$ -	$ 292,561	$ (3,325,940)	$ (3,037,894)	$ (2,695,258)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of $34.6 million, revenues of $14.6 million and $20 million in County contribution, resulting in a year-end surplus of $292,561. Most of the surplus results from salary savings due to vacant positions over the first 6-months of the Fiscal year. The DA projects deficits in the forecast years primarily due to forecasted salary increases and the increasing costs related to PERS retirement, health insurance premiums and allocated costs such as workers' compensation insurance, without any commensurate increase in revenues.

Elections Department	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$ 5,521,156	$ 6,082,514	$ 4,512,980	$ 4,615,024	$ 4,684,770
B. COWCAP	1,915,284	1,915,284	1,915,284	1,915,284	1,915,284
C. Total Expenditures	7,436,440	7,997,798	6,428,264	6,530,308	6,600,054
D. Revenue	1,373,229	1,945,144	1,156,500	1,156,500	1,156,500
E. Financing Need, C-D	6,063,211	6,052,654	5,271,764	5,373,808	5,443,554
F. Preliminary GFC	6,063,211	6,063,211	4,875,332	4,875,332	4,875,332
G. Surplus/(Deficit), F-E	$ -	$ 10,557	$ (396,432)	$ (498,476)	$ (568,222)

Elections - The Elections Department administers all federal, state, county, and local public elections. Departmental expenditures and revenues vary based on the number and size of scheduled and unscheduled special elections each year. The Department expects to end the current year with expenditures of $8.0 million, revenues of $1.9 million, and a County contribution of $6.1 million. Compared to budget, the Department will end the year with a negligible surplus. Both expenditures and revenues are estimated to be significantly higher compared to the adopted budget due to the execution of the General Presidential Election during a pandemic. While this resulted in higher expenditures, it also brought about increased revenue which was received from a Federal and a private grant.

Projected expenditures and revenues in forecast years reflect estimated charges for one scheduled election per fiscal year: a statewide primary in FY 2021-22, a statewide general in FY 2022-23, and a Presidential Primary in FY 2023-24. Forecasted expenditures and revenues are expected to be lower since they exclude costs and reimbursements of a General Presidential Election, which occurred in the current year. The funds necessary to conduct mandated county, State and federal elections must be provided by the General Fund. Revenues from local districts reimburse the cost of their portion of the election. Deficits in forecast years arise from reduced GFC combined with increases in salary and benefit costs.

Health	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$ 98,790,681	$ 95,343,361	$ 104,811,041	$ 107,463,211	$ 109,931,551
B. COWCAP	10,326,321	10,326,321	10,326,321	10,326,321	10,326,321
C. Total Expenditures	109,117,002	105,669,682	115,137,362	117,789,532	120,257,872
D. Revenue	88,995,738	77,510,221	90,113,960	90,616,634	90,652,090
E. Financing Need, C-D	20,121,264	28,159,461	25,023,402	27,172,898	29,605,782
F. Preliminary GFC	20,121,264	20,121,264	14,673,354	14,673,354	14,673,354
H. Surplus/(Deficit), F-E-G	$ -	$ (8,038,197)	$ (10,350,048)	$ (12,499,544)	$ (14,932,428)

Health Department – The Health Department provides a wide array of services including but not limited to animal services, public health, clinic services, public guardian/conservator/administrator, emergency medical services, and environmental health. The Department estimates year-end expenditures of $105.7 million, revenues of $77.5 million, and a financing need of $28.2 million.

Year-end expenditures are estimated at $3.4 million lower than budgeted primarily due to salary savings of $8.6 million resulting from a vacancy rate of 17% as the Department experiences challenges finding qualified staff, particularly in the Primary Care Clinics Bureau. These savings were offset by increased outlays for services and supplies and fixed assets totaling $4.3 million attributable to the COVID-19 emergency response efforts, a decrease in intradepartmental reimbursements totaling $1.5 million resulting from redirection of staff from reimbursable activities to emergency response efforts, and a liability payment to the State totaling $4.07 million. As of March 2015, some Central California Alliance for Health members were moved from fee-for-service to capitation with the State performing yearly reconciliations. Any over payment for services rendered by the County found by the State must be returned. Revenue is projected to end the year $11.5 million below budget. The high vacancy rate coupled with redirection of staff to the COVID-19 emergency response impacted the amount of services provided, therefore decreasing revenue.

The Department projects ending the current fiscal year with an overall $8.0 million deficit. The projected deficit of is primarily due to estimated expenditures incurred for the Department's direct response to the COVID19 pandemic. There is an expected offset for these expenditures from related shared Federal funding. This shared funding would result in a balanced year-end result. The deficits in the forecast years are due to the AB 85 revenue redirection, projected salary step increases, health insurance costs, and increased pension costs. Also reflected in forecasted revenues is the phase out of the Whole Person Care grant which ends in December of 2021.

Human Resources	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 5,362,672	$ 5,333,718	$ 5,664,135	$ 5,824,189	$ 5,946,979
B. COWCAP	(5,238,368)	(5,238,368)	(5,238,368)	(5,238,368)	(5,238,368)
C. Total Expenditures	124,304	95,350	425,767	585,821	708,611
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	124,304	95,350	425,767	585,821	708,611
F. Preliminary GFC	124,304	124,304	146,539	146,539	146,539
G. Surplus/(Deficit), F-E	$ -	$ 28,954	$ (279,228)	$ (439,282)	$ (562,072)

Human Resources – The Human Resources Department projects $28,954 in surplus for the current fiscal year due to position vacancies. A deficit is projected for the forecasted years. The deficit is projected to grow over the next few years primarily due to rising salary and benefit costs, such as position step advances, pension contributions, and health insurance premiums.

Information Technology	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$21,303,889	$21,303,889	$20,679,505	$21,197,354	$21,624,870
B. COWCAP	(22,534,863)	(22,534,863)	(22,534,863)	(22,534,863)	(22,534,863)
C. Total Expenditures	(1,230,974)	(1,230,974)	(1,855,358)	(1,337,509)	(909,993)
D. Revenue	750,000	750,000	750,000	755,000	768,000
E. Financing Need, C-D	(1,980,974)	(1,980,974)	(2,605,358)	(2,092,509)	(1,677,993)
F. Preliminary GFC	(1,980,974)	(1,980,974)	(2,700,279)	(2,700,279)	(2,700,279)
G. Surplus/(Deficit), F-E	$ -	$ -	$ (94,921)	$ (607,770)	$ (1,022,286)

Information Technology – The Information Technology Department estimates year-end expenditures of $1.2 million, revenue of $750,000, and a general fund contribution of $2.0 million. Expenditures and revenues are projected to meet the budget. The forecasted years assume a growing deficit, mainly due to nominal growth in operating revenue and larger increases in salary and benefit costs, general liability, and operating costs.

Probation	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$51,142,528	$51,142,528	$53,056,563	$54,237,676	$55,142,820
B. COWCAP	4,194,506	4,194,506	4,194,506	4,194,506	4,194,506
C. Total Expenditures	55,337,034	55,337,034	57,251,069	58,432,182	59,337,326
D. Revenue	29,930,747	29,337,251	29,867,575	29,979,840	30,082,215
E. Financing Need, C-D	25,406,287	25,999,783	27,383,494	28,452,342	29,255,111
F. Preliminary GFC	25,406,287	25,406,287	24,331,063	24,331,063	24,331,063
G. Surplus/(Deficit), F-E	$ -	$ (593,496)	$ (3,052,431)	$ (4,121,279)	$ (4,924,048)

Probation – The Department's FY 2020-21 year-end estimate reflects expenditures of $55.3 million, revenue of $29.3 million and a general fund contribution of $26 million. The projected deficit of $593,496 is primarily due to estimated expenditures incurred in the amount of $796,884 from Probation's direct response to the COVID19 pandemic. These expenditures include workplace preparedness purchases of personal protective equipment, sanitation and disinfectant supplies and personnel costs for redirected staff due to mandated shift coverage and contact tracing efforts. There is an expected offset for these expenditures from related shared Federal funding. This shared funding would result in a Departmental adjusted current year end surplus of $203,388. The forecast for FY 2021-22 through FY 2023-24 indicates deficits ranging from $3.1 to $4.9 million. Contributing factors to the forecasted deficits are increases to salaries and benefits related to step increases, rising PERS contribution rates, employee health insurance and general liability insurance.

Public Defender	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$13,827,147	$13,874,438	$14,501,929	$14,841,502	$15,111,161
B. COWCAP	2,178,576	2,178,576	2,178,576	2,178,576	2,178,576
C. Total Expenditures	16,005,723	16,053,014	16,680,505	17,020,078	17,289,737
D. Revenue	1,348,242	1,398,400	1,330,913	1,330,913	1,330,913
E. Financing Need, C-D	14,657,481	14,654,614	15,349,592	15,689,165	15,958,824
F. Preliminary GFC	14,657,481	14,657,481	14,240,340	14,240,340	14,240,340
G. Surplus/(Deficit), F-E	$ -	$ 2,867	$ (1,109,252)	$ (1,448,825)	$ (1,718,484)

Public Defender - The FY 2020-21 year-end estimate for the Public Defender consists of $16 million in expenditures, $1.4 in revenue, and a General Fund Contribution (GFC) of $14.6 million. The Department projects a surplus of $2,867 attributed to salary savings from a vacant position. The Department projects a shortfall in the forecasted years driven by estimated cost increases related to salary and benefits, health insurance premiums, PERS, and general liability allocations. The forecasted revenues and expenditures will continue to fluctuate depending on trial related costs and service agreements that maintain the operations of the Department.

Resource Management Agency	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$34,134,420	$33,536,847	$34,625,567	$35,807,519	$36,848,899
B. COWCAP	(1,956,612)	(1,956,612)	(1,956,612)	(1,956,612)	(1,956,612)
C. Total Expenditures	32,177,808	31,580,235	32,668,955	33,850,907	34,892,287
D. Revenue	12,847,684	10,073,803	10,264,276	10,244,276	10,204,276
E. Financing Need, C-D	19,330,124	21,506,432	22,404,679	23,606,631	24,688,011
F. Preliminary GFC	19,330,124	19,330,124	19,356,599	19,356,599	19,356,599
G. Surplus/(Deficit), F-E	$ -	$ (2,176,308)	$ (3,048,080)	$ (4,250,032)	$ (5,331,412)

Housing and Community Development Department & Department of Public Works, Facilities, and Parks (formerly Resource Management Agency) - The Resource Management Agency (RMA) dissolved on November 30, 2020, and in its place, two new departments were formed: Housing and Community Development Department (HCD) and Department of Public Works, Facilities, & Parks (PWFP). The RMA adopted General Fund budget was kept intact in FY 2020-21 and the two departments jointly managed to the bottom line. Beginning in FY 2021-22, HCD & PWFP will have separate budgets.

The current year estimate projects expenditures of $31.6 million, revenues of $10.1 million and a general fund contribution of $19.3 million, for a net estimated deficit of $2.2 million. This reflects a decrease in estimated revenues versus budget of $2.5 million and $0.3 million less in expenditures. Both departments rely on customer support through fees, which came to a halt in mid-March when COVID-19 reached Monterey County. Building revenues declined, as construction was shut down for six weeks and although development activity was steady, it was mostly made up of smaller projects. Parks also saw a decline with both COVID-19 restrictions and the 2020 fires. This, ultimately, resulted in all facility rentals and events being cancelled and complete closure of the parks for multiple months.
The forecasted deficits in outlying years are directly related to non-discretionary cost increases such as pension contributions, employee health insurance premiums, general liability and property insurance premiums. The deficit is also impacted by stagnant revenue.

Sheriff-Coroner	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Operational Expenditures	$116,151,346	$118,090,381	$122,774,534	$123,163,917	$124,950,508
B. COWCAP	6,394,670	6,394,670	6,394,670	6,394,670	6,394,670
C. Total Expenditures	122,546,016	124,485,051	129,169,204	129,558,587	131,345,178
D. Revenue	41,226,579	42,374,145	40,613,700	41,015,493	41,382,961
E. Financing Need, C-D	81,319,437	82,110,906	88,555,504	88,543,094	89,962,217
F. Preliminary GFC	81,319,437	81,319,437	77,236,500	77,236,500	77,236,500
G. Surplus/(Deficit), F-E	$ -	$ (791,469)	$ (11,319,004)	$ (11,306,594)	$ (12,725,717)

Sheriff-Coroner – The Sheriff's Office projects ending the current fiscal year with a deficit estimated at $791,469. Expenditures are estimated at $124.5 million or $1.9 million higher than budget, while revenues are estimated at $42.4 million or $1.1 million higher than budget. The General Fund Contribution is estimated to be $82.1 million.

The increase in expenditures and revenues is due to the unbudgeted COVID-19 response, including additional staffing and pandemic safety measures in the jail and State Hold revenues from halted inmate intake. The Department was allocated $7.7 million in CARES Act funding to offset the redirection of resources to address the pandemic; which could result in the department ending the year with an adjusted surplus.

The Sheriff's Office projects growing deficits in the forecast years increasing from $11.3 million in FY 2021-22 to $12.7 million by FY 2023-24 due to significant increases in general liability and workers compensation insurance in the next three years and the remaining half of the purchase costs of Motorola radios due in FY 2021-22. The forecast assumes status quo salaries and benefits.

Social Services	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 207,476,773	$ 197,391,676	$ 203,397,310	$ 205,409,215	$ 209,545,902
B. COWCAP[1]	5,662,394	5,662,394	5,613,489	5,613,489	5,613,489
C. Total Expenditures	213,139,167	203,054,070	209,010,799	211,022,704	215,159,391
D. Revenue	196,100,882	181,555,366	188,231,206	187,399,729	189,796,026
E. Financing Need, C-D	17,038,285	21,498,704	20,779,593	23,622,975	25,363,365
F. Preliminary GFC	17,038,285	17,038,285	15,480,052	15,480,052	15,480,052
G. Surplus/(Deficit), F-E	$ -	$ (4,460,419)	$ (5,299,541)	$ (8,142,923)	$ (9,883,313)

Social Services – The Department of Social Services (DSS) estimates year-end expenditures of $203.1 million, revenue of $181.6 million and General Fund Contribution of $21.5 million, resulting in a deficit of $4.5 million. When accounting for the CARES revenue received by the County, this estimated deficit is eliminated. Year-end expenditures are estimated to decrease by $10.0 million from the modified budget mainly due to salary saving from vacancies ($6.1 million), less CalWORKS entitlement payments due to caseload decline ($1.0 million), lower maintenance of Effort (MOE) in Home Supportive Services ($600,000), and a decrease in Out of Home due to a smaller foster care caseload and emergency placement costs ($2.9 million). Year-end revenues are estimated to be $14.5 million below the modified budget correlating with the decrease in expenditures previously mentioned and non-revenue generating Covid-19 expenditures. 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, where these estimates may change before year-end closing.

The estimated deficits for the forecast years are directly related to the increases in Pers, health insurance, general liability, and loss of Whole Person Care revenues for grant ending December 31, 2021. For the entitlements, there is a 4% ongoing inflation factor applied annually to the In -Home Support Services (IHSS) Maintenance of Effort (MOE) and an increase in Out of Home Care costs due to an estimated 2.5% colas. Realignment funding is not yet known and was assumed to remain "flat" for the forecast.

Treasurer-Tax Collector	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Operational Expenditures	$ 8,843,572	$ 7,799,382	$ 8,213,056	$ 8,454,145	$ 8,678,803
B. COWCAP	(1,800,850)	(1,800,850)	(1,800,850)	(1,800,850)	(1,800,850)
C. Total Expenditures	7,042,722	5,998,532	6,412,206	6,653,295	6,877,953
D. Revenue	7,123,535	6,058,206	6,229,690	6,372,923	6,505,922
E. Financing Need, C-D	(80,813)	(59,674)	182,516	280,372	372,031
F. Preliminary GFC	(80,813)	(80,813)	(19,332)	(19,332)	(19,332)
G. Surplus/(Deficit), F-E	$ -	$ (21,139)	$ (201,848)	$ (299,704)	$ (391,363)

Treasurer-Tax Collector – The Treasurer-Tax Collector (TTC) projects year end expenditures of $6.0 million, revenue of $6.1 million, and a general fund contribution (GFC) of ($59,674). Use of GFC is estimated to exceed budget by $21,139. Total salaries and benefits expenditures are projected at $765,797 below budget, primarily due to vacancies, delayed recruitments, and reorganization of management positions in the Revenue Division. Services and supplies costs are forecast at $331,472 below budget largely resulting from COVID-19 related temporary suspensions in services from thirdparty collectors in the Revenue Division and cost-reduction efforts to offset projected shortfalls in departmental revenue. Overall expenditures are expected to be under budget by $1.0 million . Revenue is projected to be $1.1 million below budget as a result of lower levels of reimbursable expenditures and reduced collections due to the COVID-19 pandemic closures and related financial impacts. Estimated expenditures in the forecast years assume earned step increases, increases in service agreement expenditures, and countywide increases for healthcare insurance, PERS Retirement, General Liability and other internal service charges. Forecasted revenue assumes allowable cost recovery based on estimated expenditures for Revenue Division and Treasury services, and conservative increases based on recent and current year experience.

OTHER MAJOR FUNDS

Road Fund – The Road Fund is a special revenue fund established per State law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects. The Road Fund's primary funding sources for road and bridge projects and maintenance are State Highway User Tax Allocation (HUTA or Gas Tax), the Transportation Agency for Monterey County (TAMC) retail transaction and use tax ordinance (Measure X), the Road Repair and Accountability Act of 2017 (Senate Bill 1 [SB1]), and Transient Occupancy Tax (TOT). Measure X and SB1 are newer revenue streams that produce annual revenues of $7.1 and $7.7 million, respectively.

Fund 002 Road Fund	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast		
			2021-22	2022-23	2023-24
A. Beginning Fund Balance	$ 24,679,274	$ 24,580,891	$ 16,482,076	$ 23,085,473	$24,397,598
B. Revenue	62,529,400	47,160,122	62,196,878	70,849,133	35,951,093
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	87,208,674	71,741,013	78,678,954	93,934,606	60,348,691
E. Expenditures	69,975,741	55,258,937	55,593,481	69,537,008	44,000,556
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	69,975,741	55,258,937	55,593,481	69,537,008	44,000,556
H. Ending Fund Balance, D-G	$ 17,232,933	$ 16,482,076	$ 23,085,473	$ 24,397,598	$16,348,135

Revenues. The FY 2020-21 revenue estimate is $15.4 million less than budget due to construction phases of federally funded projects shifting to FY 2021-22. Examples of these projects include the Monterey Bay Sanctuary Scenic Trail, Bradley Road Bridge, Robinson Canyon Road Bridge Scour Repair, Hartnell Road Bridge, Las Lomas Bicycle, Las Lomas Drainage, and Nacimiento Lake Drive. Accordingly, revenues for FY 2021-22 are projected to increase by $15.0 million over the current year estimate. Revenues are expected to increase by $8.7 million in FY 2022-23 and projected to decrease by $34.9 million in FY 2023-24 as federally funded projects are anticipated to decrease that fiscal year.

Expenditures. Estimated expenditures are $14.7 million under budget as several large project construction phases were deferred until FY 2021-22. Variances between budget and estimate are primarily derived from changes to project timelines and/or scope of work due to the COVID-19 pandemic, 2020 Fires, weather, permitting, and staffing constraints. Expenditures in FY 2022-23 are projected to increase by $13.9 million due to major projects scheduled for that FY which include Davis Road Bridge, Monterey Bay Sanctuary Scenic Trail, and Johnson Road Bridge Replacement.

Fund Balance. Over the last few fiscal years, expenditures have not increased at the same pace as revenues, resulting in a growing fund balance. This same pattern is projected to continue in FY 2021-22 and 2022-23 as Measure X and SB1 are forecasted to increase over that period. However, fund balance is projected to decrease in FY 2023-24 as the fund is projected to have a reduction in federally funded projects and Measure X and SB1 revenues and restricted fund balance will be a financing source for projects such as the Old Stage Road Rehabilitation (Alisal Road to Iverson Road), Elkhorn Road Rehabilitation, and Alisal Road Rehabilitation (Salinas to Hartnell Road).

Monterey County Free Libraries – The Monterey County Free Libraries (MCFL) was established to provide library services to the diverse communities of Monterey County under the County Library Law of 1911. MCFL's operations are primarily financed through its own share of the property tax.

Fund 003 Monterey County Free Libraries	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Beginning Fund Balance	$ 3,480,007	$ 3,480,007	$ 4,251,710	$ 4,545,463	$ 4,974,388
B. Revenue	10,332,852	11,138,217	10,572,215	10,807,244	11,008,213
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	13,812,859	14,618,224	14,823,925	15,352,707	15,982,601
E. Expenditures	10,406,648	10,366,514	10,278,462	10,378,319	10,452,430
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	10,406,648	10,366,514	10,278,462	10,378,319	10,452,430
H. Ending Fund Balance, D-G	$ 3,406,211	$ 4,251,710	$ 4,545,463	$ 4,974,388	$ 5,530,171

For the current fiscal year end, the Library Department is projecting addition of approximately $771,000 in Fund Balance primarily due to a CARES allocation that funded COVID related expenses. The department had savings in other areas and did not have to increase appropriations to accommodate COVID related expenses.

The department experienced salary and benefit savings due to unfilled vacancies as in-person libraries were closed due to COVID. Other expenditures such as Other Professional & Special Services, Office Supplies, Conference/Travel, Staff Training, due to the suspension of library in person operations (due to COVID19). However, the department experienced higher expenditures than initially budgeted related to COVID19, such as PPE supplies, expenses for distance learning through Library by Mail, added content and online resources such as OverDrive and Brainfuse, and expenses on janitorial and deep cleaning expenses for worksites.

Current year property tax revenue is slightly higher than budget. Next fiscal year, property tax is projected to increase 3.75%, aligning with County projections. The subsequent two years are projected more conservatively at 2% increase. Current year end revenue also includes the anticipated reimbursement from the CARES Act Fund, in the amount of $746,426 for redirected staff, staff leave reimbursements, and other expenditures due to COVID. State grants are anticipated to maintain the level of what was originally budgeted for. Library Services revenue is anticipated to experience a decline by at least 33% due to the suspension of library in person services which began during the onset of COVID19, in March of 2020. Contributions are anticipated to maintain the same level,

pending finalization of State funding via the California Library Services Act, and Federal funding via Library Services and Technology Act and E-rate Program funding. At this time, only the California Library Services Act funds are in jeopardy, with a 50% reduction in the proposed Governor's budget, which are anticipated to take effect next fiscal year.
The forecast projects fund balance continues to increase due to favorable property tax revenue and control of expenditures.

Behavioral Health – Pursuant to Welfare and Institutions Code Section 5600, the Health Department's Behavioral Health Bureau provides a continuum of County operated and community-based substance use disorder and mental health services. The program provides community prevention programs, crisis intervention, inpatient psychiatric services, social rehabilitation, supportive housing, and outpatient services primarily to Monterey County Medi-Cal beneficiaries who meet the State Department of Health Care Services, Mental Health Division's medical necessity criteria. In addition, the program also serves many non Medi-Cal eligible residents who have behavioral health disorders.

Fund 023 Behavioral Health	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Beginning Fund Balance	$40,345,623	$40,345,623	$40,472,870	$29,196,583	$13,501,411
B. Revenue	155,747,555	142,876,857	130,949,749	121,562,370	125,219,509
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	196,093,178	183,222,480	171,422,619	150,758,953	138,720,920
E. Expenditures	162,360,888	142,749,610	142,226,036	137,257,542	138,598,573
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	162,360,888	142,749,610	142,226,036	137,257,542	138,598,573
H. Ending Fund Balance, D-G	$33,732,290	$40,472,870	$29,196,583	$13,501,411	$ 122,347

For the current fiscal year, MCHB estimates year-end expenditures of $142.7 million, which is approximately $19.7 million below the modified budget of $162.4 million. The lower expenditures are attributable to a higher than budgeted vacancy rate generating $5.1 million in salary and benefit savings, lower than anticipated operating transfer in the Whole Person Care program in the amount of $10.6 million and lower than anticipated Capital Costs of approximately $3.0 million. Current year-end revenue is estimated at $142.9 million, which is approximately $12.9 million below the modified budget of $155.7. The decrease in revenues is attributable to lower Whole Person Care program revenues.

The forecast years depict a decrease in expenditures and revenues due to the phase out of the Whole Person Care program, which was previously estimated to end on December 2020, but was extended an additional year to December 2021. The program accounted for approximately $10.0 to $11.0 million per year. Excluding this significant change, increases in salary and benefits, operating cost increases such as insurance costs and contracted services are projected to increase. This combined with anticipated impacts to revenue streams in realignment and Mental Health Services Act (MHSA) project a significant decrease in fund balance. MCHB will monitor these impacts as it prepares its FY 2021-22 budget and adjust as needed to minimize this impact. As reported in the FY 2018-19 year-end report, fund balance includes $8.4 million in assigned funds for potential future Medi-Cal program settlement costs.

Emergency Communications – The Emergency Communications Department provides dispatch and call taking (9-1-1 and non-emergency) to Monterey County residents and law enforcement, fire protection and emergency medical dispatch services for over 30 local, regional, county, and State public safety agencies.

Fund 028 Emergency Communications	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Beginning Fund Balance	$ 1,034,510	$ 1,034,510	$ 1,370,720	$ 1,427,367	$ 1,477,317
B. Revenue	12,883,165	12,855,382	12,426,926	12,720,908	12,829,320
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	13,917,675	13,889,892	13,797,646	14,148,275	14,306,637
E. Expenditures	12,545,458	12,519,172	12,370,279	12,670,958	12,702,843
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	12,545,458	12,519,172	12,370,279	12,670,958	12,702,843
H. Ending Fund Balance, D-G	$ 1,372,217	$ 1,370,720	$ 1,427,367	$ 1,477,317	$ 1,603,794

The department received approximately 710,000 phone calls and processed 520,000 calls for service for Law, Fire and EMS events in calendar year 2020. The department is operating under a special revenue fund and expects to end the current year with expenditures totaling $12.5 million and revenue totaling $12.9 million, including a County General Fund Contribution (GFC) of $1.9 million. The department estimates a planned surplus of $336,210 in the current year. The surplus was planned through the annual budgeting process and will be added to the department's reserve, which is used for future replacement and upgrades to equipment, systems, and building. The reserve is not intended to pay for ongoing operating costs.

Costs are expected to rise in the forecast years due to escalating salaries, pension, healthcare, and insurance costs as well as rising costs of service agreements that maintain the operations at the department. This forecast assumes a flat GFC and in order to cover operations in future years at a status quo level, an increased GFC is required. This GFC represents the cost of the dispatch and emergency call taking services provided to the Sheriff and Probation Departments pursuant to the terms of the 9-1-1 Services Agreement. The department anticipates continuing to build its reserves through the forecast years using the cost sharing ratio in the 9-1-1 Services Agreement. The annual reserve contribution is forecasted at lower levels than the current year because of the flat GFC and the department's fund balance is anticipated to be $1.6 million by the close of FY 2023-24.

Natividad Medical Center - Natividad Medical Center (NMC) is a County enterprise fund, defined as a fund that provides goods and services to the public for a fee, which makes the entity self-supporting.

Fund 451 Natividad Medical Center	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Beginning Fund Balance	$ 38,868,721	$ 38,868,721	$ 63,601,740	$ 70,625,025	$ 77,101,758
B. Revenue	350,655,299	369,485,656	367,658,873	371,263,836	375,175,459
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	389,524,020	408,354,377	431,260,613	441,888,861	452,277,217
E. Expenditures	351,495,795	344,752,637	360,635,588	364,787,103	371,663,319
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	351,495,795	344,752,637	360,635,588	364,787,103	371,663,319
H. Ending Fund Balance, D-G	$ 38,028,225	$ 63,601,740	$ 70,625,025	$ 77,101,758	$ 80,613,898

Revenue: Net revenue for the current year is expected to be $18.8 million higher than budget. The COVID-19 pandemic continues to impact both operating revenues and expenses. The expected average daily census (ADC) was 112, while the actual has been 127. The primary driver to the increase in the ADC has been from patients treated with the virus. In the first quarter of the fiscal year, the ADC of patients with the virus was 10; in the second quarter, it averaged 15, and at the start of the third quarter has been around 50 patients. Absent from a potential surge during the last quarter of the fiscal year, the trend of patients with the virus requiring hospitalization is on the decline. The increase in net revenues resulted from an increase in the ADC and government assistance for revenue losses from the coronavirus. Cancellation of elective surgeries and appointments to specialty and primary physicians resulting from the shelter in place directive impacted normal business. The vaccination efforts throughout the County and the nation should significantly ease the demand for hospital beds to treat patients with the virus over the following months. The 1115 (Medicaid) Waiver continues to be discussed with the State and Federal government for a renewal.

Operating Expenses: Labor and supplies expenses are major contributors to increases in expenditures. The high demand for nurses to treat coronavirus patients increased the use of contracted or travel nurses. Overtime and extra shifts added to the higher costs. Similarly, special supplies or PPE for coronavirus patients also contributed to the increase in expenditures. Expenditures for capital related to normal business was lower than anticipated because of the attention to the virus. Expenditures for operations are forecasted to decrease as the coronavirus pandemic is fully controlled. There is an overall increase in capital expenditures.

Capital Expenditures: The current year and the forecasted years include costs for capital projects. NMC forecasts to spend on average $30.0 million annually on capital projects. Major projects include: (1) Remodeling the Radiology Department and replacing obsolescent medical equipment including the Computer Tomography (CT) and Magnetic Resonance Imaging (MRI); (2) Remodeling the Pharmacy Department; (3) Replacing the current nurse call system; (4) Replacing the angiography equipment; (5) Upgrading the chemical analyzer for testing in the laboratory department; (6) Overall upgrade of the facility internal and external; (7) Upgrade or replacement of hospital system.

Net Results: NMC projects an increase in net position from operations totaling $17.0 million over the current and forecasted years.

Parks – Lakes Resorts – The Lake & Resort Operations Fund is a County enterprise fund accounting for Lake Nacimiento operations. It is a proprietary fund that provides goods and services to the public for a fee, which makes the entity self-supporting. The Resort at Lake Nacimiento is managed under an agreement with an external operator. The agreement allows for reimbursement of the operator's expenditures in addition to a management fee and incentive fee. The Public Works, Facilities & Parks Department is responsible for capital expenses such as repairs to infrastructure.

Fund 452 Lake & Resort Operations	Modified Budget 2020-21	Year-End Estimate 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
A. Beginning Fund Balance	$ (470,279)	$ (470,279)	$ 1,427,453	$ 2,123,595	$ 2,863,725
B. Revenue	4,268,676	5,357,340	4,345,157	4,448,880	4,553,788
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	3,798,397	4,887,061	5,772,610	6,572,475	7,417,513
E. Expenditures	3,674,584	3,459,608	3,649,015	3,708,750	3,781,127
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	3,674,584	3,459,608	3,649,015	3,708,750	3,781,127
H. Ending Fund Balance, D-G	$ 123,813	$ 1,427,453	$ 2,123,595	$ 2,863,725	$ 3,636,386

Lake Nacimiento began FY 2020-21 with a negative $0.5 million fund balance, as prior year expenditures exceeded revenues. The current year estimate projects revenues of $5.4 million and expenditures of $3.5 million, for a positive change in fund balance of $1.9 million. The projected ending fund balance is $1.4 million is primarily due to a $1.4 million subsidy from the General Fund to cover the negative beginning balance and replenish Zebra/Quagga Mussel Program restricted funds and insurance proceeds spent in prior years to offset operating losses.

Although COVID-19 has led to sporadic park closures and limited services since March 2020, the resort operator responded quickly with aggressive reductions to discretionary spending and labor costs, which helped mitigate losses. The fund also performed better than prior years under the new model, which excludes Lake San Antonio from this fund as it was deemed unprofitable for a business-type activity.

Revenue for each of the forecast years is projected at around $1.0 million less than FY 2020-21 due to the exclusion of the one-time General Fund subsidy. Excluding this one-time adjustment, operating revenues are forecasted to improve modestly in each year of the forecast period beginning with FY 2021-22, as it is anticipated the COVID-19 vaccine reaches more people and business starts to approach a degree of normality. Likewise, expenditures are forecasted to increase by $189,000 to $3.6 million. Moving forward into FY 2022-23 and FY 2023-24, revenues and expenditures are forecasted to increase incrementally, with revenues outpacing expenditures, resulting in a growing fund balance.