



FY 2026-27
Board of Supervisors
Pre-Budget Workshop

February 10, 2026

Presented by:
County Administrative Office
Budget Team



Forecasted Shortfall Projections



General Fund Cost (GFC) Reduction Options



Analysis of Revenue Increase Options



Pension Liability and Reserves

Forecasted General Fund Shortfall Presented during the Budget End of Year Report FY 2026-27

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Item	Amount
GFC Baseline (using FY 2025-26)	315,813,196
Salary Increases	8,533,052
Wage Studies Implementation	3,216,560
Workers Comp Increase	2,083,426
IHSS Wage Increase	3,412,704
General Liability and Property Insurance	2,158,584
Jail Medical	8,600,000
Cost Allocation Plan Increases	6,000,000
Loss of Measure AA for on-going	3,136,759
FY 2025-26 Cannabis Augments Positions	868,865
FY 2025-26 Cont Reserve Augments Position	3,776,744
FY 2025-26 Cont Reserve Augments Items	2,197,918
FY 2025-26 Security Guard Costs	750,000
Total Estimated GFC Demand	360,547,808
Total GFC Revenue Projected FY 2026-27	333,757,445
Overage/(Shortage)	(26,790,363)

\$44,734,612

General Fund Cost Reduction Options

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Control Workforce Growth

Department GFC Utilization

GFC Allocation Formula Adjustments

Departmental Incentive – GFC Retention

Targeted Departmental Budget Reviews

Additional Options for GFC Reductions

Current Strategy

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Control Workforce Growth



- Soft Hiring Freeze – Widely Used, Limited Impact
- Pros: Provides immediate and visible cost containment
- Cons: Administratively burdensome; inconsistent application; positions often filled through exceptions, reducing savings

**Control
Workforce
Growth
General Funded
Positions**

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Alternative Strategies

- Cap total authorized **filled** positions by department
- Delay GFC funded recruitments 60–90 days
- Standardize Budgeting for Vacant Positions.
- Auto-eliminate long-term vacancies (e.g., >12, 18, or 24 months)
- Attrition-Based Reduction: Fill only a defined percentage of vacated positions
- Voluntary Retirement Incentive

Workforce Overview (All County)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Authorized Positions	5,473	5,653	5,858	5,960	5,990	5,867
Filled	4,487	4,762	4,561	4,961	5,027	5,083
Vacant	986	966	1,372	977	939	761
Vacancy %	18.01%	17.08%	23.42%	16.39%	15.68%	12.97%

Authorized positions peaked in FY 2024-25

FY 2025-26

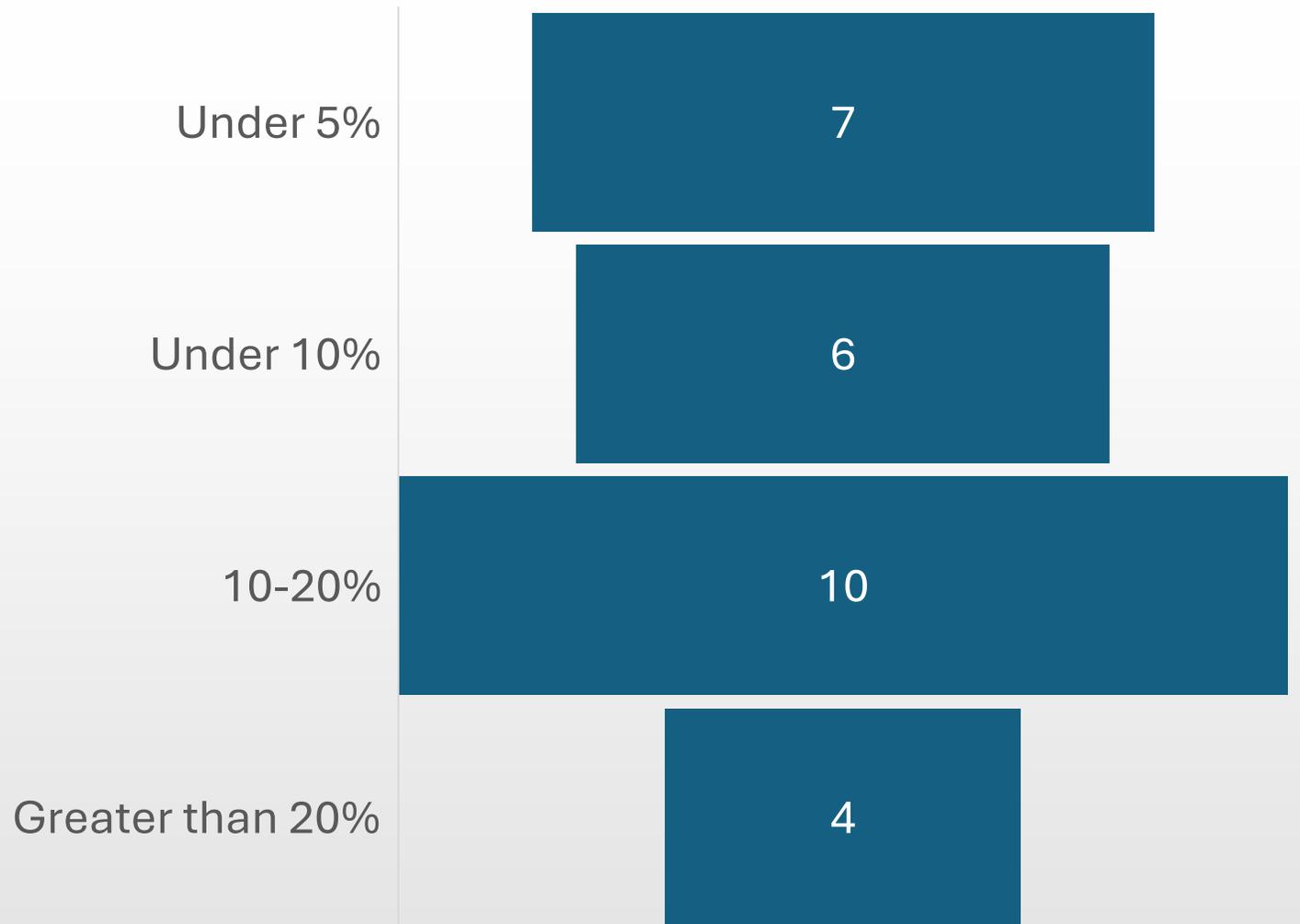
- **Decrease in Authorized Positions**
- **Highest Filled Position**



All County Departments Vacancy Rates Start FY 2025-26

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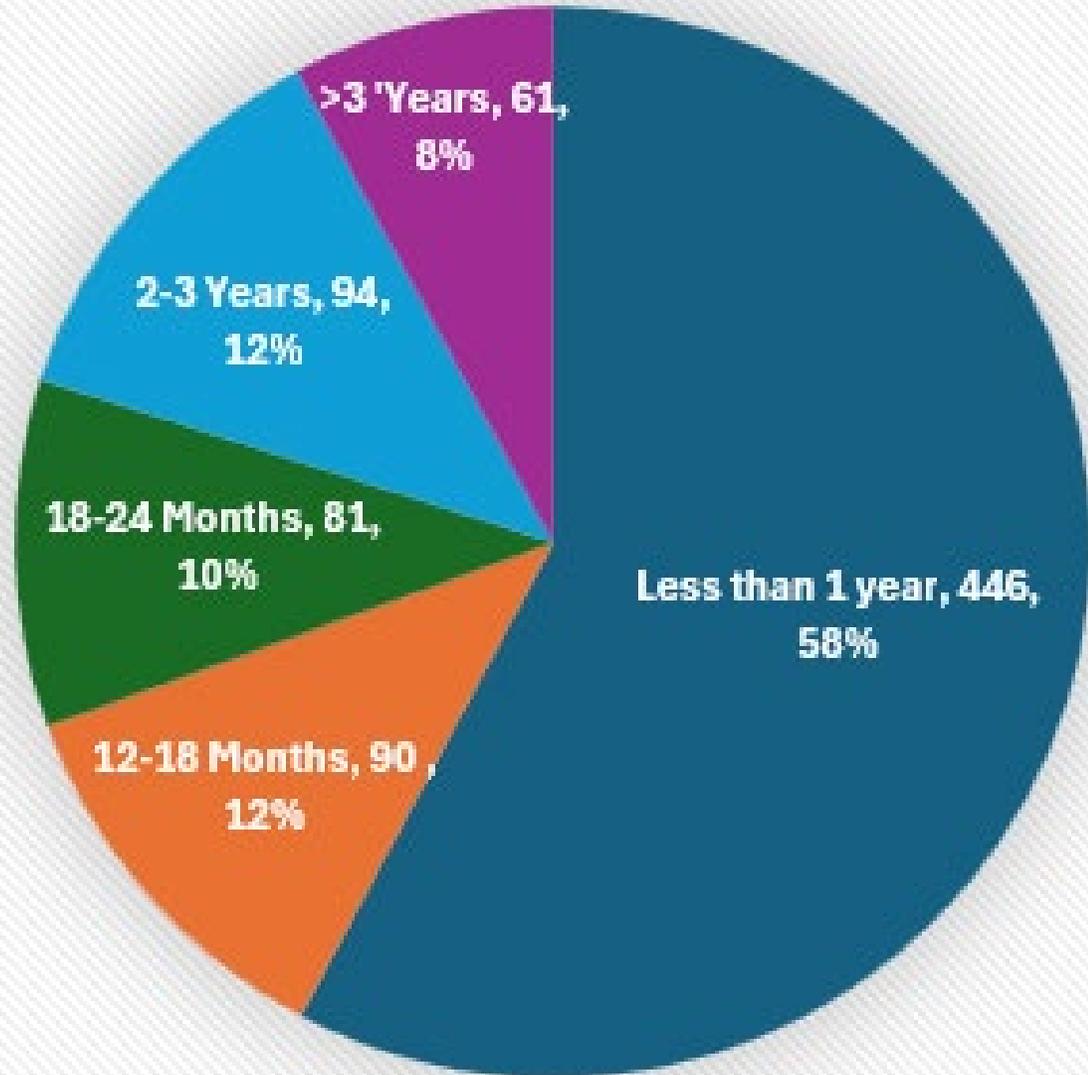
of Departments



- **2 departments** currently have **over 25% of their approved positions vacant.**
- **7 departments** began the fiscal year with **1 or fewer vacant positions.**
- **1 department** started the fiscal year with **282 vacant positions.**



Duration of Vacant Positions (All Depts) 6)



- **58%** of vacancies are **under 12 months** — most are recent openings. **446 Positions**
- **326 positions** greater than 12 Months
- **236 positions** vacant greater than **18 months**
- **155 positions** vacant greater than **2 years**
- **61 positions** vacant longer than **3 years**.

772 Total Vacancies as of 1.22.26

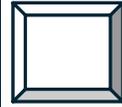
Historical Attrition Rates

Departments	CY 2022	CY 2023	CY 2024	CY 2025	TOTAL
4000 - Health	-3	16	15	15	43
3200 - Public Works	9	12	18	-6	33
5010 - Social Svcs	13	-3	23	-7	26
2300 - Sheriff-Coroner	-7	1	20	-2	12
3100 - HCD	2	3	3	0	8
1110 - Auditor	2	6	-2	-2	4
2810 - Ag Commissioner	-1	0	3	2	4
1040 - Dept of Emer Mngmt	0	3	0	0	3
1170 - Treas/Tax Coll	3	-1	2	-1	3
2270 - Public Defender	5	0	1	-4	2
6210 - Co-Op Ext.	1	0	0	0	1
1080 - Cival Rights Office	1	0	-1	0	0
1210 - County Counsel	-3	1	1	0	-1
1300 - Clerk of Board	-1	0	0	0	-1
1410 - Elections	-1	-1	0	1	-1
1520 - Emergency Comm	-4	8	-2	-3	-1
2550 - Probation	2	-9	5	1	-1
1000 - Board of Supvs	-1	-1	1	-1	-2
6110 - Library	0	-1	-1	0	-2
1050 - County Admin	3	-5	1	-2	-3
2240 - Dist Atty	-6	3	6	-6	-3
9300 - Water Resources	0	-2	1	-2	-3
1060 - Human Resources	-2	1	0	-3	-4
1930 - ITD	-2	-1	-2	-1	-6
1180 - Assessor/ClkRec	-4	-3	-1	1	-7
2250 - Child Support	-4	0	-3	-1	-8
9600 - NMC	-42	19	-8	2	-29
Total (All County)	-40	46	80	-19	67

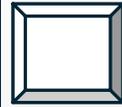
Recommended Options to Control Workforce Growth

General Funded Departments

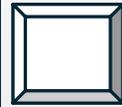
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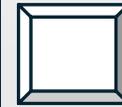
Establish **Maximum** Filled Positions by Department (GFC Departments) To control Department Growth



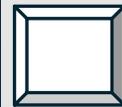
Delay initiation of all recruitments by 60-90 days



Eliminate long term vacancies > 24 months (155 Positions)



Standardize vacant position budgeting



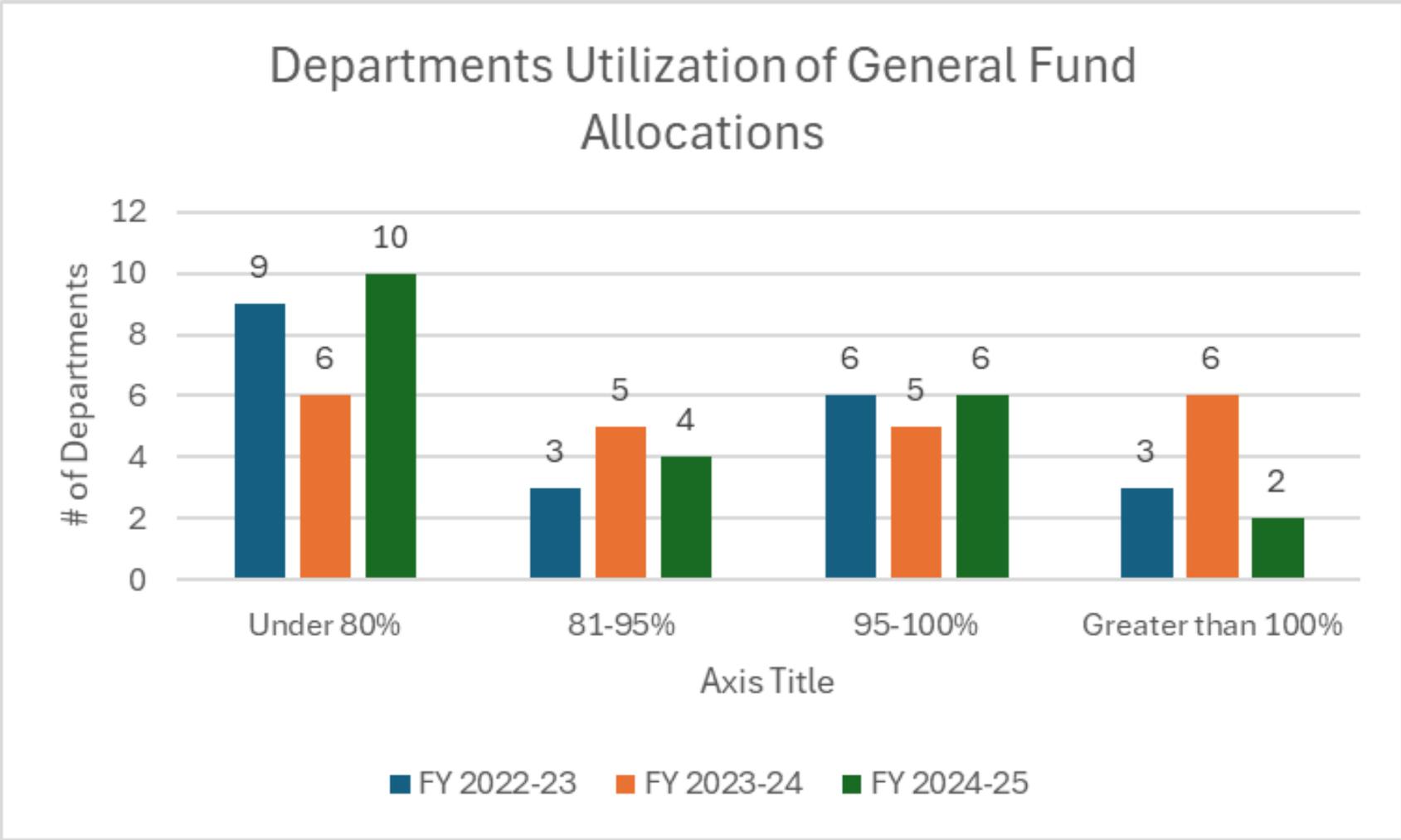
Explore Retirement Incentive Program

GFC Reduction Options

Dept Usage

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GFC Departments



Ending Department Specific Fund Balances		
<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
244,367,267	232,801,432	253,469,744

GFC Cost Reduction Options

Incentive Concept

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Program would allow a department to keep a portion of General Fund (GF) allocation that is not utilized from the previous year.



3 counties identified to have used an Incentive Program

County of Alameda

- Offers portion of generated year-end GF savings.
- Restricted use of one-time expenses, Capital Projects or help offset future budget reductions.

Counties of Fresno and Tulare previous approach

- Offered a portion of generated year-end GF savings.
- No restriction on usage for a department.

GFC Reduction Options Incentive Program cont.

Pro's

Promotes Cost-Efficiency
 Avoids wasteful 'spend-it-or-lose-it' behavior
 Encourages financial responsibility
 Supports General Fund is last resort

Con's

Weakened central fiscal control
 Lack of equitable distribution
 Budget complication & oversight burden
 Fund balance volatility

Not all Departments are under the same fiscal pressures



**AREAS OF
CONSIDERATION IF
IMPLEMENT**



**DEPARTMENTAL FUND
BALANCE RESERVE
LEVELS APPROVED BY
BOARD**



**INCENTIVE USE ONLY
FOR ONE-TIME COSTS –
NOT ONGOING**



**STANDARDIZED
SALARY SAVINGS**

GFC Reduction Options

Case Study

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San Luis Obispo County

Established a Budget Review Process

- Avoiding across-the-board cuts
- Ensuring all essential programs and services were preserved
- Alignment with County/Board priorities

Established Teams to Review Departments

Exec Team (oversee strategy and progress)

- Program Review Team
- Revenue Leveraging Team
- Stakeholder Team
- Passthrough Contracts Team
- Teams ultimately recommended Options to reduce general fund

\$50 Million in Potential Options



Monterey County Concept Department Review Process

Creation of teams to review:

- Mandated vs. Non-Mandated Activity & Costs
- Dept Revenues and Reserve levels
- Vendor Contracts and Services
- Community Agreements and Review
- Alignment with Board Priorities and Strategic Plan
- Recommendation on potential GFC reductions

Exec Team: CAO Office, County Counsel, ACO Office, Budget committee

Review Team: Department Heads, Assistant Department Heads, Finance Managers, CAO Analysts, ACO office, Contracts and Purchasing

GFC Reduction Contribution Change

Mandatory Obligations

Mandatory Obligations reduced from available GFC for Dept.	Source	Amount
Trial Court MOE-State Law	State Law	5,124,043
1991 Realignment MOE (Health, SS, Mental Health)	State Law	3,900,648
Debt Service Payments - Legal Obligation	Legal Requirement	9,619,710
Library – County Librarian - State Law	State Law	352,254
LAFCO Payments -State Law	State Law	419,250
Emergency Comm Dispatch - 911 Dispatch	State Law	2,794,407
Pajaro Regional Flood Management Agency -JPA	JPA Agreement	193,700
Pajaro Sanitation District - Agreement	Contractual	1,073,300
Annual County Audit	State Law	305,782
Total Mandatory Obligations		23,783,094



GFC Reduction Contribution Change

Discretionary Options

	Discretionary Contributions	Source	Amount
<input type="checkbox"/>	Contingencies Appropriation FY 26-27	Fiscal Policy	9,476,891
<input type="checkbox"/>	TOT Contribution to Road Fund up to 25%	Fiscal Policy	10,037,154
<input type="checkbox"/>	See Monterey (Development Set Aside) - Fiscal Policy	Fiscal Policy	2,019,475
<input type="checkbox"/>	Arts Council for Monterey County (Development Set Aside)	Fiscal Policy	634,348
<input type="checkbox"/>	Monterey County Film Commission (Development Set Aside)	Fiscal Policy	305,130
<input type="checkbox"/>	Monterey County Business Council (Development Set Aside)	Fiscal Policy	200,743
<input type="checkbox"/>	WDB Silver Star Program	Past Board Direction	275,000
<input type="checkbox"/>	Hartnell College Foundation Salinas Valley Promise	Past Board Direction	200,000
<input type="checkbox"/>	Salinas Regional Sports Authority	Past Board Direction	200,000
<input type="checkbox"/>	Internal Audits Set-aside		200,000
<input type="checkbox"/>	C/W Memberships (CSAC, NACo, RCRC, CAGE, CCTA)		94,863
<input type="checkbox"/>	Monterey Bay Unified Air Pollution Control District	Past Board Direction	69,520
<input type="checkbox"/>	Pajaro Sunny Mesa - Pajaro Park	Past Board Direction	59,000
<input type="checkbox"/>	Court Appointed Special Advocates of Monterey County	Past Board Direction	50,000
<input type="checkbox"/>	Association of Monterey Bay Area Governments	Past Board Direction	36,935
<input type="checkbox"/>	Prunedale Senior Center	Past Board Direction	30,000
<input type="checkbox"/>	Pajaro Sunny Mesa Community Services District	Past Board Direction	25,000
<input type="checkbox"/>	Fish & Wildlife contribution	Past Board Direction	15,000
<input type="checkbox"/>	Pajaro River Watershed Flood Prevention Authority	Past Board Direction	10,000
	Total Discretionary Contributions		23,939,059



General Fund Cost Reduction Options

Options Exploring

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Options	General Fund Contribution Reduction Options	Est Amounts
<input type="checkbox"/>	General Departmental GFC reductions 1%	\$2.7M
<input type="checkbox"/>	Target GFC Reductions - Due to Reserve Levels	\$2.5M-\$5M
<input type="checkbox"/>	Road Fund annual contribution review	\$1-\$5M
<input type="checkbox"/>	Measure AA Operations/Project Split	\$6M-\$12M
<input type="checkbox"/>	Measure AA FY 2025-26 Continued	\$6M
<input type="checkbox"/>	Realignment Swaps	\$1M-\$3M
<input type="checkbox"/>	Vehicle Fund Contribution-Limit Contributions	\$1M-\$2.9M
<input type="checkbox"/>	Equipment and Improvement Fund 478 Redirect	\$2.2M
<input type="checkbox"/>	PARS 115 UAL Drawdown	\$2.2M -\$8.3M
<input type="checkbox"/>	Reduce Current Allocation to Cap Projects	\$2M-\$5M
<input type="checkbox"/>	Measure AA to Capital Projects Reserve	\$2M-\$5M
<input type="checkbox"/>	Discretionary Program Reviews	\$1M
<input type="checkbox"/>	Department Incentive Program	?
<input type="checkbox"/>	Department Budget Review Process	?

General Fund Revenue Increase Options

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Sales Tax Review

Transient Occupancy Tax Increase

Utility User Tax

Departmental Fees (included in CAO
FY 2026-27 Adopted Budget)

Sales Tax Increase

Each 0.25% is approx. \$6.25M



Jurisdiction	Sales Tax
Monterey County Unincorporated	8.75%
Salinas, Monterey, Seaside, Marina, Pacific Grove, Soledad, Carmel By The Sea, Pebble Beach	9.25%
Greenfield	9.50%
King City, Castroville, Gonzales, Carmel Valley, Aromas, Chualar, Moss Landing, Big Sur, Bradley, Spreckels, San Ardo, San Lucas, Jolon, Lockwood	8.75%
Santa Cruz County	9.75%
Santa Cruz City, Watsonville, Scotts Valley, Freedom	9.75%
Aptos, Soquel, Capitola, Boulder Creek, Felton, Ben Lomond, Davenport, Brookdale, Mount Hermon	9.50%

Transient Occupancy Tax

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In unincorporated Monterey County, the current **Transient Occupancy Tax (TOT)** is:

10.5% of rent charged to transient guests

(i.e., stays up to 30 days in hotels, motels, commercial and limited vacation rentals, or homestays)

Additionally, operators must collect the Monterey County Tourism Improvement District (**MCTID**) assessment, which varies by facility type:

\$1.70 per occupied room
night – limited-service
lodging

\$5.10 per occupied room
night – full-service lodging

\$7.90 per occupied room
night – full-service luxury
lodging

Transient Occupancy Tax

Increase

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Each 1%
Increase is
approx. \$3.8M

Jurisdiction	TOT Rate (%)
Monterey County Unincorporated	10.50%
City of Monterey	12.00%
City of Marina	14.00%
City of Pacific Grove	12.00%
City of Seaside	12.00%
City of Carmel-by-the-Sea	10.00%
City of Salinas	7.00%
City of Watsonville	12.00%
City of Santa Cruz (hotels/motels)	12.00%
City of Santa Cruz (residential STRs)	14.00%
Santa Cruz County (hotels/motels)	12.00%
Santa Cruz County (Vacation Rentals)	14.00%

Utility User Tax

Creation

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Utility Users Tax

- A **local excise tax** on the consumption of utility services such as **electricity, gas, water, sewer, cable, and telephone.**

Key Points:

- **Local Control:** Adopted by ordinance or voter approval.
- **Collection:** Utility providers add the tax to bills and remit to the jurisdiction.
- **California Jurisdictions:** Over 160 California cities/counties levy UUT, generating \$1.8B annually.
- Can be limited to **Commercial** or **Residential** Users or **Both.**
- **Exemptions** from the charges. Such as Income or age.

Utility User Tax

Creation

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Utility Users Tax

Jurisdiction	Telecomm/Comparable	Gas	Electricity	Water
Salinas	5%	6%	6%	6%
Seaside	6%	6%	6%	6%
Monterey City	2% (Res), 5% (Com)	2%/5%	2%/5%	2%/5%
Pacific Grove	5%	5%	5%	5%

- City of Salinas (rate mix 5%–6%): \$7–10M/year
- Seaside (uniform 6%): \$2.5–4M/year
- Monterey (2% residential, 5% commercial): \$2–3.5M/year
- Pacific Grove (5%): \$1–1.8M/year

Departmental Fees

Update Annually

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High Level Review has Identified

- California law requires local governments to update fees based on actual cost.
- Departmental Fees are not updated annually as costs increase.
- No County-wide process to update fees as new budgets are adopted with increased costs

Recommendation being Implemented

- Establishment of centralized location for public.
listing all County fees
- Incorporate as part of budget process an annual fee update.

Revenue Increase Options

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Summary



<u>Options</u>	<u>Revenue</u>	<u>Estimate</u>
<input type="checkbox"/>	Sales Tax Measure	\$6.25M @ 0.25%
<input type="checkbox"/>	Transient Occupancy Tax	\$3.8M @ 1%
<input type="checkbox"/>	Utility User Tax	\$2M-\$6M
<input type="checkbox"/>	Department Fees	\$1M-\$5M

Pension Liability and Other Post Employment Benefits

Pension Liability

▶ Actuarial Study estimating Liability	\$3,762,702,344	
▶ CalPERS Asset Holdings	(2,776,119,209)	
▶ 115 Pension Trust PARS Account	<u>(110,686,146)</u>	
Unfunded Estimate as of December 30, 2024	\$ 875,896,989	76% Funded

Other Post Employment Benefit (OPEB)

▶ Actuarial Study estimating Liability	\$104,918,000	
▶ CalPERS Asset Holding CERBT	(97,733,000)	
▶ 115 Pension Trust PARS Account	<u>(0)</u>	
Unfunded Estimate as of December 30, 2025	\$ 7,185,000	93% Funded





Pension Retirement Liability

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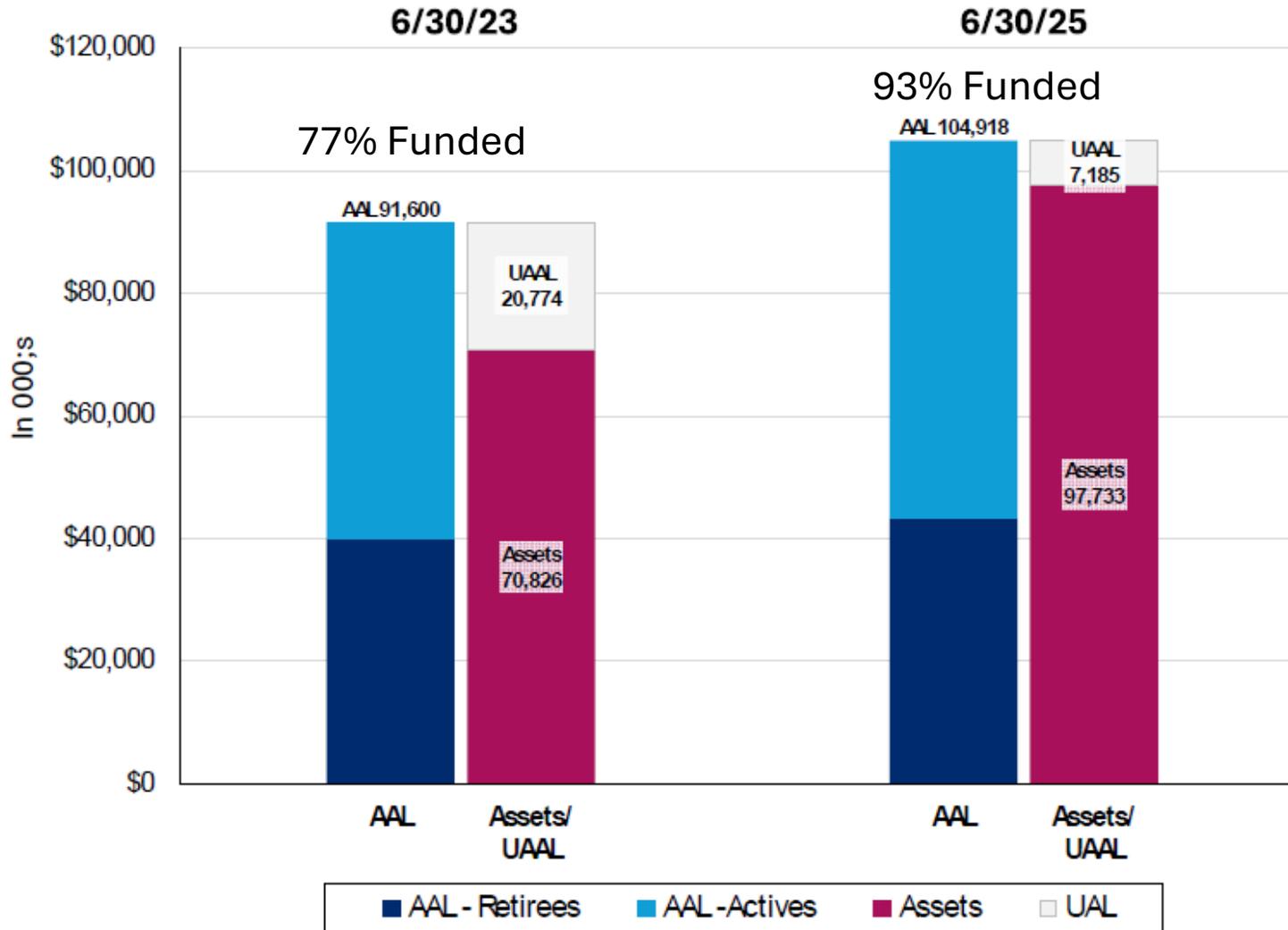
Fiscal Year End	CALPERS Payment	General Fund Dept Cost	Variance YOY Base Year	115 Trust Activity	
				115 Trust Draw	115 Trust Add
6/30/2024	74,916,453	47,529,078			
6/30/2025	81,242,043	51,542,208			
6/30/2026	90,889,953	57,663,110	6,120,902	(6,120,902)	
6/30/2027	94,456,460	59,925,801	2,262,691	(2,262,691)	
6/30/2028	104,525,561	66,313,918	8,650,808	(8,650,808)	
6/30/2029	105,379,409	66,855,623	9,192,513	(9,192,513)	
6/30/2030	105,841,332	67,148,680	9,485,570	(9,485,570)	
6/30/2031	105,124,172	66,693,694	9,030,584	(9,030,584)	
6/30/2032	104,173,448	66,090,528	8,427,418	(8,427,418)	
6/30/2033	98,362,963	62,404,195	4,741,085	(4,741,085)	
6/30/2034	95,805,263	60,781,519	3,118,409	(3,118,409)	
6/30/2035	91,289,752	57,916,754	253,644	(253,644)	
6/30/2036	83,198,974	52,783,739	(4,879,371)		4,879,371
6/30/2037	79,107,935	50,188,271	(7,474,839)		7,474,839
6/30/2038	73,782,024	46,809,365	(10,853,745)		10,853,745
6/30/2039	69,543,004	44,120,013	(13,543,097)		13,543,097
6/30/2040	67,050,866	42,538,931	(15,124,179)		15,124,179
6/30/2041	56,066,699	35,570,271	(22,092,839)		22,092,839
6/30/2042	51,753,619	32,833,933	(24,829,177)		24,829,177
6/30/2043	81,177,777	51,501,436	(6,161,674)		6,161,674
6/30/2044	597,832	379,281	(57,283,829)		
6/30/2045	-	-	(57,663,110)		
TOTALS				(61,283,624)	104,958,921

Completed FY 2025-26

115 Trust Utilization Program

- Alleviate Pension Cost Increases
- Establish FY 2025-26 Base Year
- Increases from Base Year covered by 115 Trust
- Decreases from Base Year added back to 115 Trust

Other Pensionable Employee Benefits (OPEB)



FY 2025-26 Net Payment
\$3.3 Million

FY 2026-27 Net Payment
\$947K

\$2.3 Million Reduction YOY



QUESTIONS/COMMENTS

