

Monterey County Financial Forecast

March 2024

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 2023-24), the upcoming budget year (FY 2024-25), 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 wage increases, a new revenue source or the funding of a new program, will have on future fiscal condition of the County.

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 2022-23 final modified budget included \$952.3 million in appropriations, matched by an equivalent amount of financing, \$815.9 million in revenue and \$136.5 million in fund balance.

The County ended the fiscal year with a favorable performance compared to the final budget. The general fund ended with revenues of \$798.2 million, cancellation of assigned funds of \$107.3 million, cancellation of \$7.3 million of restricted fund balance, releases of strategic reserve of \$52.1 million; expenditures of \$856.0 million, additions to restricted fund balance of \$6.2 million, additions to assigned fund balance of \$57.2 million, and replenishment of restricted fund balance of \$36.5 million which resulted in an initial operating surplus of \$13.3 million. Additions to assigned fund balance include the following amounts the Board of Supervisors (Board) authorized part of the Budget End

of Year Report for FY 2021-22 which occurred in FY 2022-23 due to timing of the approval and included assignment increases \$49.9 million to the disaster recovery assignment from the release of strategic reserves for emergencies, \$1.7 million to capital assignment for the Library Fund and \$483,237 for the Ag Commissioner capital project in south county; and the addition of \$3.9 million to the compensated absences assignment and \$783,450 to the revenue stabilization assignment in FY 2022-23.

In addition to these changes, the Board directed staff, during the BEYR presentation for FY 2022-23 to set aside \$150,000 in the general capital assignment for election equipment, \$587,064 in the revenue stabilization assignment, and \$971,485 to the general capital assignment for a future Agricultural Commissioner project outlay. Including these changes, the estimated ending FY 2022-23 unassigned fund balance is reduced from \$13.3 million to \$11.6 million. Since the FY 2022-23 Audited Comprehensive Financial Report (ACFR) is not available as of the date of this publication, results are preliminary until the ACFR is published. Even though the County had to release significant amounts from its strategic reserves, the Board's strong commitment to prioritize its replenishment is a strong indicator of the County's commitment to weathering future unforeseen events and meet emerging needs with strategic planned use of its reserves.

General Fund Current Fiscal Year Estimated Results

The three-year forecast for the General Fund indicates positive results in FY 2023-24, but those results flip to significant deficits in the three following fiscal years. Given this forecast, the Board's commitment to prudent financial management of the County's finances will be challenged in the upcoming fiscal years. However, with the responsible stewardship of County departments and a prudent fiscal approach the County can manage through these projected deficits.

This prudent management approach is evident in the current year, County could add an estimated \$11.4 million to fund balance at the end of FY 2023-24. This positive result could not have been achieved without continuous management of operational budgets by Departments. The modified budget is not inclusive of transactions occurring after the submission of the current year estimate. Although results are positive for the entire fund, negative results in some departments provide early warning to potential fiscal challenges the County will have to face as it prepares for the FY 2024-25 budget process.

General Fund Outlook through 2026-27 (figures in millions of dollars)

	2022-23	FY 2023-24			2024-25	2025-26	2026-27
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Available Financing:							
Beg. Unassigned Fund Balance	\$4.0	\$0.0	\$0.7 ▼	\$0.7 ▼	\$0.0	\$0.0	\$0.0
Release of Fund Balance	167.1	11.1	11.6	12.3	0.0	0.0	0.0
Revenues	<u>798.2</u>	<u>836.7</u>	<u>841.9</u>	<u>836.6</u>	<u>831.2</u>	<u>839.3</u>	<u>852.9</u>
Total Financing Sources	\$969.3	\$847.8	\$854.2	\$849.6	\$831.2	\$839.3	\$852.9
Financing Uses:							
Assignments/Restrictions	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	856.0	844.3 ▼	851.8	835.8	860.7	879.9	896.6
Salary Adjustment					(6.6)	(6.7)	(6.8)
Appropriation for Contingencies	<u>0.0</u>	<u>3.5</u>	<u>2.4</u> ▼	<u>2.4</u>	<u>3.4</u>	<u>3.4</u>	<u>3.4</u>
Total Financing Uses	\$956.0	\$847.8	\$854.2	\$838.2	\$857.5	\$876.6	\$893.2
Ending Unassigned Fund Balance	\$13.3	\$0.0	\$0.0 ▲	\$11.4	(\$26.3)	(\$37.3)	(\$40.3)

Overall, 19 general fund departments are estimating ending the year within their budget and estimating a \$2.0 million surplus. However, four departments estimate they will end the year over their allocated GFC, resulting in a deficit of \$6.8 million. Significant deficits are estimated for the Public Works, Facilities and Parks (\$1.8 million), the Sheriff (\$699,196), the Department of Social Services (\$868,112) and Health Department (\$3.4). Each of these departments will present a report to the budget committee detailing steps they are taking to mitigate the impacts of these deficits. Details for departmental forecasts are provided toward the end of this report.

Department	Modified GFC Budget FY 2023- 24	Estimated GFC FY 2023- 24	Variance
Agricultural Commissioner	\$ 5,020,091	\$ 4,586,868	\$ 433,223
Auditor-Controller	\$ 1,572,281	\$ 1,238,531	\$ 333,750
Assessor-County Clerk Recorder	\$ 6,204,670	\$ 5,634,731	\$ 569,939
Board of Supervisors	\$ 4,958,011	\$ 4,864,470	\$ 93,541
Child Support Services	\$ 78,835	\$ 78,835	\$ -
Civil Rights Office	\$ 407,997	\$ 337,417	\$ 70,580
Clerk of the Board	\$ 1,299,354	\$ 1,195,209	\$ 104,145
Cooperative Extension	\$ 467,431	\$ 467,245	\$ 186
County Administrative Office	\$ 5,170,711	\$ 4,458,652	\$ 712,059
County Counsel	\$ 1,528,855	\$ 1,100,576	\$ 428,279
Department of Emergency Management	\$ 4,432,518	\$ 2,495,762	\$ 1,936,756
District Attorney	\$ 21,625,742	\$ 19,381,831	\$ 2,243,911
Elections Department	\$ 5,829,434	\$ 5,811,609	\$ 17,825
Health	\$ 24,010,289	\$ 27,372,300	\$ (3,362,011)
Housing and Community Development	\$ 9,568,429	\$ 9,133,479	\$ 434,950
Human Resources	\$ 758,282	\$ 165,273	\$ 593,009
Information Technology	\$ 4,118,043	\$ 4,118,043	\$ -
Probation	\$ 27,299,257	\$ 27,261,328	\$ 37,929
Public Defender	\$ 15,563,265	\$ 15,535,042	\$ 28,223
Public Works, Facilities, and Parks	\$ 13,866,887	\$ 15,688,095	\$ (1,821,208)
Sheriff Coroner	\$ 101,261,147	\$ 101,960,343	\$ (699,196)
Social Services	\$ 27,240,923	\$ 28,109,035	\$ (868,112)
Treasurer Tax Collector	\$ 1,914,009	\$ 1,227,814	\$ 686,195
Totals			\$ 1,973,973

Expenditures are \$16.0 million lower than the modified budget, and therefore contributing a positive bottom line. The lower expenditures are primarily due to the salary and benefit saving in the general fund of \$24.0 million mainly in Health Department (\$3.9 million), Department of Social Services (\$4.1 million) and Public Works Facilities and Parks (\$2.3 millions). Other major variances in expenses include lower program expenditures of \$6.5 million in the Health Department due to lower services to the public than planned. In the current year, departments utilized salary savings to offset wage increases resulting from classification and compensation studies and finalization of labor agreements.

Current year non-program revenue is estimated \$8.6 million higher than budget due to improvement in Cannabis tax \$1.7 million, other revenues \$2.4 million (storm damage insurance payments) and property taxes of \$5.4 million; offset with a reduction to Transient Occupancy Tax of \$1.6 million. Other major revenue reductions include \$13.8 million lower revenue in the Health Department due to lower than planned services.

Forecast

The forecast reveals significant deficits in the upcoming three years. FY 2024-25 forecasts estimates a deficit of \$26.3 million. Similarly, the deficit grows to \$37.3 million and \$40.3 million in FY 2025-26 and 2026-27 respectively. These deficits are projected despite the anticipated increases in non-program revenue next in the forecast years. This imbalance is the result of continuing increased costs which will exceed available funding. More details about the cost drivers creating this imbalance are provided in the cost driver section of this report.

The forecast includes preliminary GFC allocations that include \$4.0 million in cannabis revenue. This level of cannabis revenue represents an increase of \$557,425 million from the FY 2023-24 adopted budget.

The forecast does not include the utilization of one-time revenue such as ARPA funds as these funds are limited and will have to be spent by the end of December 2024. The CAO plans to bring an updated ARPA plan to the Board of Supervisors during the budget process to receive direction on priorities and funding level for FY 2024-25. However, this report does include a status of current ARPA spending. Furthermore, there are pending negotiations, classification and compensation studies being performed by the Human Resources Department which could affect the projected expenditures in FY 2024-25. The three-year forecast reflects a drop in expenditures and revenue primarily due to exclusion of one-time expenses and pandemic response expenses anticipated to conclude in the current year. Furthermore, ARPA revenue utilized in the current year to backfill revenue loss is also excluded from the forecast. The forecast reflects deficits primarily driven by the rising cost of health insurance, PERS, general liability insurance, worker's compensation, and negotiated salary increases.

Departments estimate program revenues based on the programs they deliver and known federal and State funding sources as well as grants for the forecast period. Non-program revenue, which is the County's discretionary revenue, is projected to increase with the absents of ARPA funding and then slightly improve through the forecast period. County staff are typically 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 2024-25, changes in federal or State financial commitments, or revenue declines in an economic downturn, or inflationary changes.

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.

While some growth is assumed in forecasted years, it is not sufficient 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. Any new budget commitments will increase the severity of reductions the County would have to make in an economic downturn. Given these uncertainties and events, prudent financial management practices, including limiting new on-going commitments or expansion of programs, is paramount for the current environment.

General Fund Revenues

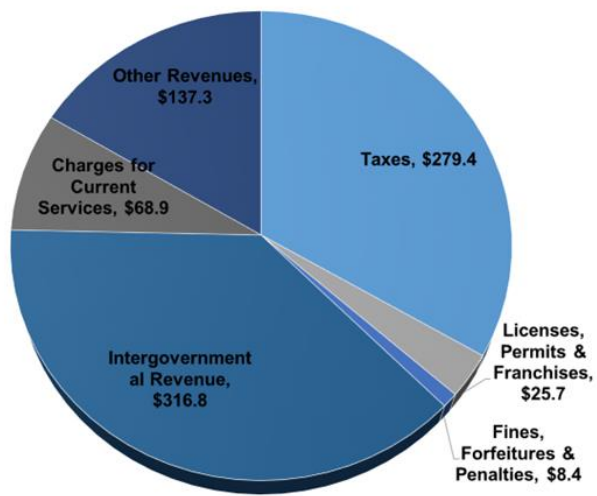
General fund revenue is composed of program and non-program revenue. Program revenue is specifically designated and/or statutorily required for programs. Sources of program revenue are derived from State and federal aid for various mandated programs primarily in Health and Social Services, charges for 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 \$5.4 million below budget expectations. The major variances compared to budgeted revenue in the current year include:

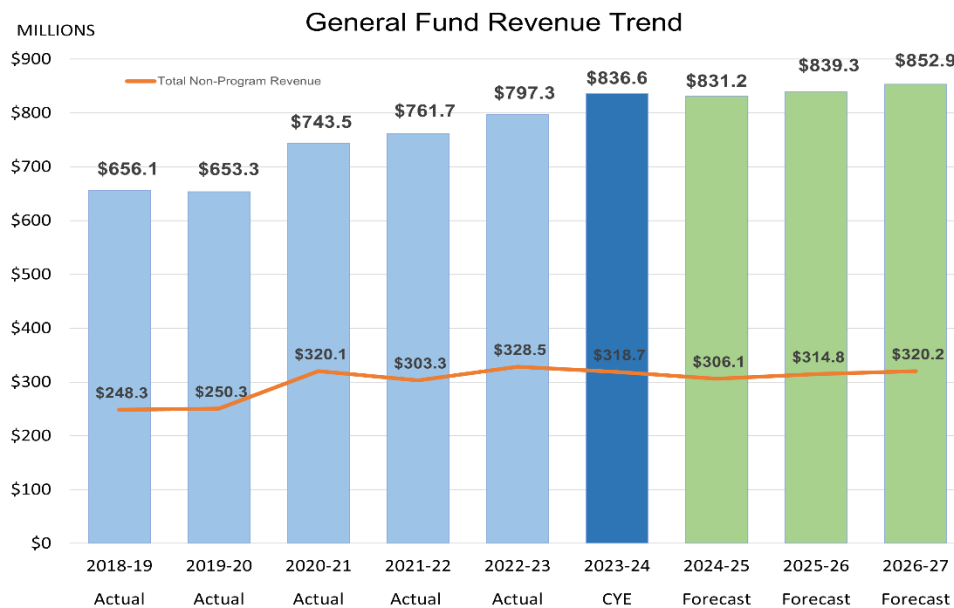
- **Revenue in the County Administrative Office is \$5.5 million below budget.** Revenue and expenditures do not include a \$4.5 million grant award from the California Interagency Council on Homelessness which the Board approved after the submission of the current year estimate.
- **Revenue in the Health Department is \$13.8 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 (24% vacancy rate) in revenue generating operations as the Department continues to struggle to find qualified staff across all bureaus.
- **Revenue in the District Attorney Office is \$2.9 million below budget.** The estimated revenue decrease in the District Attorney Office is due to delays in settlements of cases in the Civil Unit, decreased Prison Unit billings and decreased sales tax revenues.
- **Revenue in the Housing and Community Development of \$1.3 million below Budget.** The Housing and Community Development estimates lower revenue due to the limited number of Planning and Building applications.
- **Revenue in the Treasurer Tax Collector is \$1.0 million below Budget.** The Treasurer Tax Collector projects revenue to be \$1.0 million below budget due to lower levels of reimbursable expenditures in both the Revenue and Treasury Divisions due to the impact of Assembly Bills 177 and 199.
- **Revenue in Department of Emergency Management is \$1.3 million higher than budget.** The Department of Emergency Management received \$1.2 million to fund repairs of the San Ardo Water District wastewater treatment facility damaged in the 2023 winter storms.

General Fund Current Year Estimated Revenues (Millions)
Total \$836.6



- **Revenue in Public Works, Facilities, and Parks is \$3.0 million higher than budget.** The increase in revenue is mainly due to \$2.5 million from insurance proceeds for storm related projects.
- **Revenue in Social Services is \$3.0 million above budget.** The \$3.0 million increase in revenue in Social Services is driven by reimbursement from the State because of CalWorks caseload increase from disaster recovery efforts.
- **Non-program revenue is projected to be \$8.6 million higher than budget.** In the current year, the increase in discretionary revenue is largely driven by property tax \$5.3 million above budget due to higher property values and investment income \$1.4 million above budget as interest rates rise.

Forecasted years exclude one-time revenue sources and ARPA revenue, but overall, assume modest growth in program and discretionary 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 2024-25, general fund revenues are estimated to decrease, primarily due to \$17.9 million of estimated ARPA funds for pandemic response, economic recovery, infrastructure projects, and provision for government services. The forecast period beginning with FY 2024-25 excludes any ARPA funds as the plan to use those funds is evolving in line with Board of Supervisors’ direction and funds are prioritized and approved during the annual budget process. Additionally, the forecast excludes revenue for other departmental programs that are ending such as Whole Person Care Program. The chart above reflects the overall general fund revenue trend and the non-program revenue trend, which accounts for slightly

over one-third of general fund revenues.

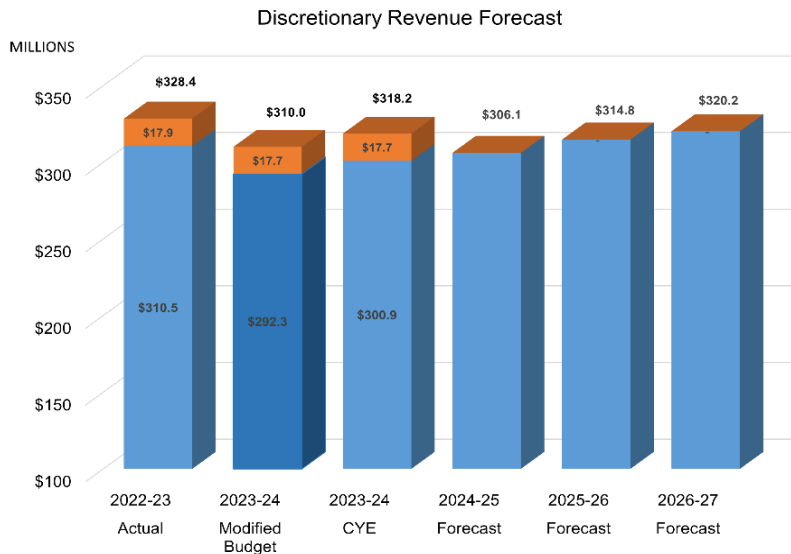
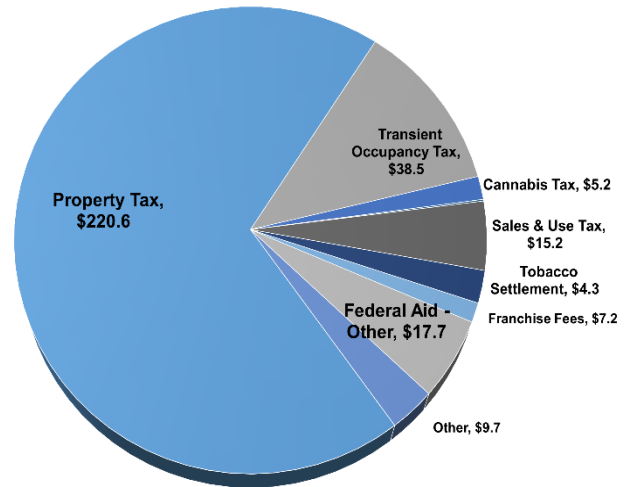
Discretionary Revenues

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 \$318.8 million. Property tax revenue is the largest source of non-program revenue, projected at \$220.6 million (69.2%) of total current year estimated non-program revenue. Other significant sources of discretionary revenue include: \$17.8 million in ARPA revenue; \$38.5 million in TOT; \$15.2 million in sales and use tax revenue; franchise fees of \$7.2 million; \$5.2 million in Cannabis revenue; and tobacco settlement monies of \$4.3 million.

Non-Program Current Year Estimated Revenues (Millions)
Total \$318.8



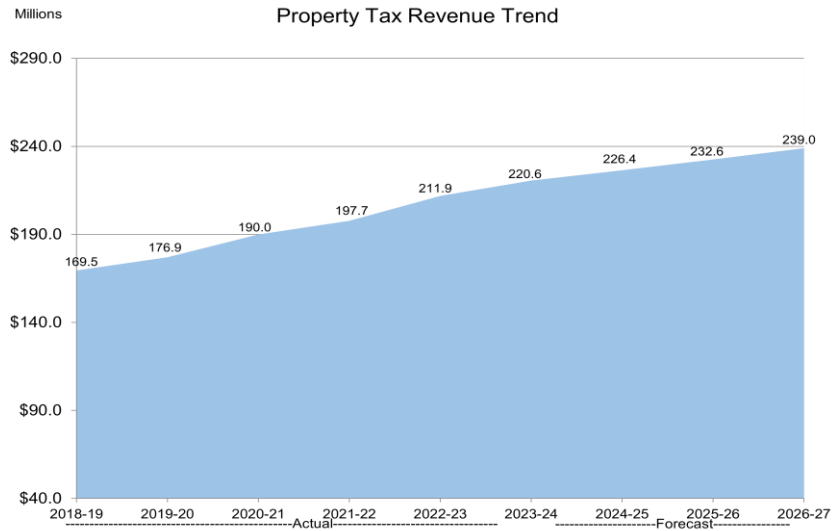
Discretionary revenue continues to grow in coming years.

The chart reflects the projected non-program revenue in the current year, upcoming budget year (FY 2024-25) and two out years. Projected current year non-program revenue is above budget mostly due to improvement in property taxes as current year performance has fared better than initial more conservative estimates included in the budget. The chart also breaks out ARPA revenue from the prior year and current year, to

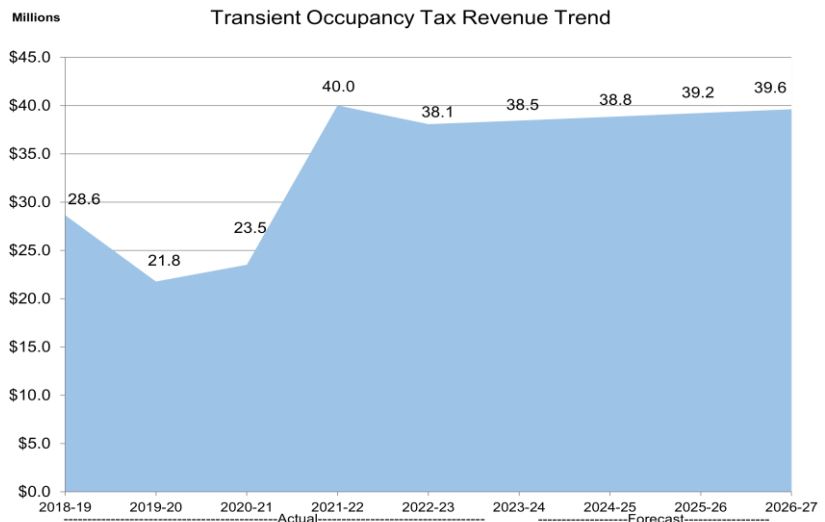
reflect a more accurate trend in discretionary revenues. Adjusting out the ARPA revenues from the current year, we see that discretionary revenue grows \$5.2 million in FY 2024-25 and an additional \$8.6 million and \$5.4 million in the subsequent two years, respectively. The improvement in projected revenue is primarily due to positive trends in property tax collections resulting from higher assessments.

Increases in property assessments result in 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 due to positive trends in property values and an increase in assessments. Next year, the forecast assumes a 3.0% growth resulting in a \$5.8 million improvement in property tax revenue. The two out years include a more conservative growth assumption of 3.1% and 3% each, yielding additional revenue of \$6.2 and \$6.3 million respectively. Interest rates are expected to gradually decline in 2024 perhaps leading to continued increase.



Transient Occupancy Tax is leveling off after 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. The tax rate for Monterey County is 10.5%. Peak TOT revenue in FY 2018-19 included revenue attributable to the U.S. Open, a one-time event, as well as continued efforts by the Treasurer-



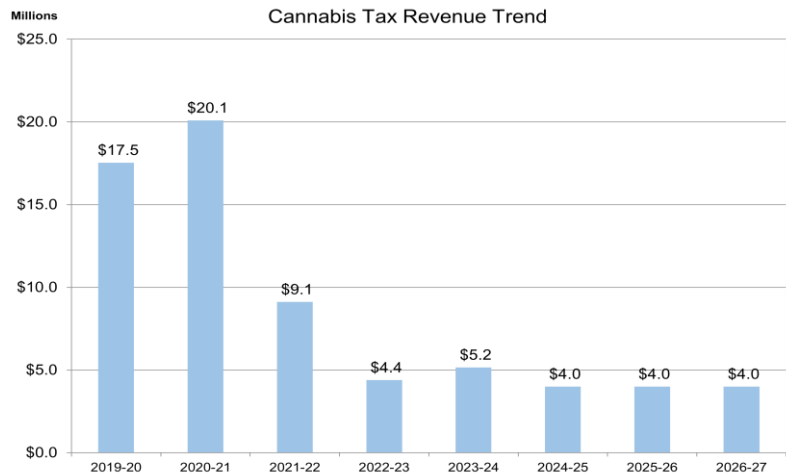
Tax Collector in recuperating one-time collections for non-complaint Short Term Rental operators. The pandemic and corresponding stay at home orders negatively impacted revenue collected in the second half of the FY 2019-20. As travel restrictions eased in FY 2020-21, the County saw a rebound in tourism with revenues coming in at \$23.5 million. In consideration of the pandemic, TOT revenue was budgeted conservatively at \$17.7 million in FY 2021-22, however TOT revenue came in at a historic \$40.0 million. In FY 2022-23, TOT revenue remained high at \$38.1 million through FY 2023-24 at an estimated \$38.5 million. TOT revenue in the second and third forecasted year expected to grow by 1.0% (\$388,389) and \$1.0% (\$392,273) assuming no economic downturn.

Cannabis revenue continues at a decreased level based on approved tax changes.

The adopted budget included \$3.4 million, with the amount attributed to the cannabis program to support 15.5 FTEs. In FY 2022-23, the Board approved reductions to cannabis tax rates resulting in \$5.5 million decrease to cannabis revenue. Per Board direction non-cannabis program allocations and Health intervention program were funded with Cannabis Tax Assignment from February 1 to June 30, 2023. In FY 2023-24, cannabis revenue is estimated be \$1.7 million

above adopted budget as set payment plans continue to bring in revenue from FY 2021-22 to FY 2022-23. If lower cannabis tax rates are adopted by the Board of Supervisor as cost pressures continue in the industry, cannabis revenue will further decrease, and the cannabis program will be further affected.

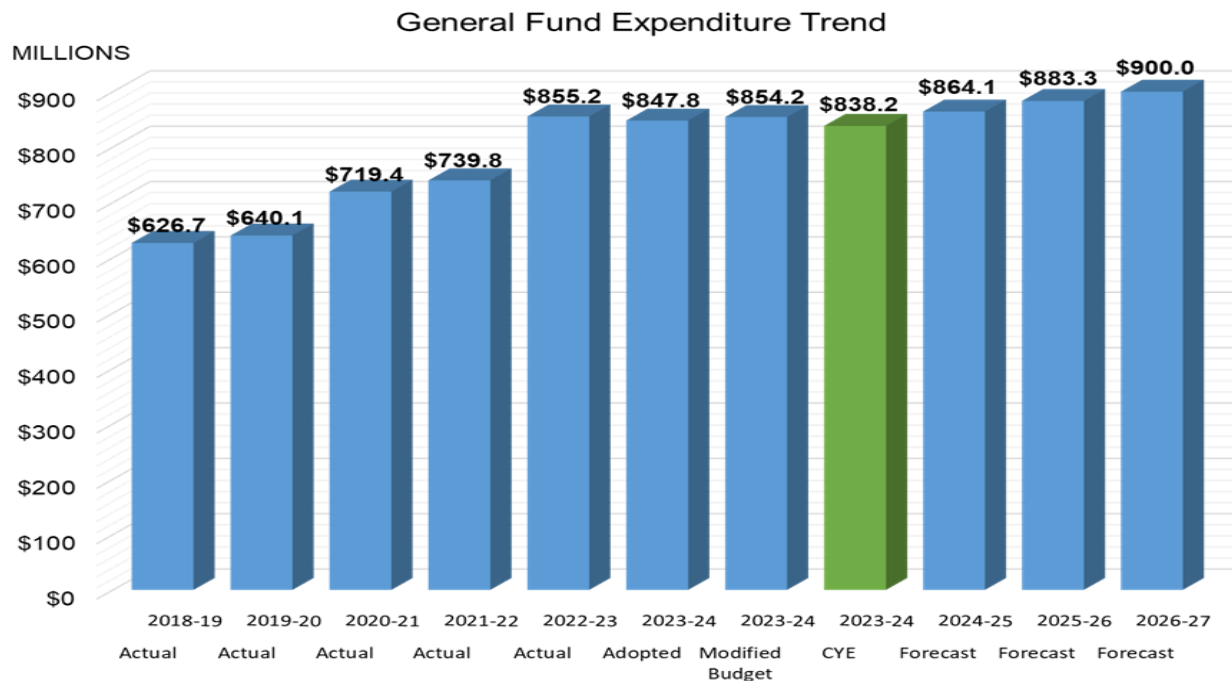
As of the date of this report, the cannabis assignment has an estimated uncommitted balance of \$1.7 million. The assignment is not expected to grow future years since cannabis revenue is allocated entirely as part of the GFC next fiscal year. Assignment utilization in FY 2023-24 totals \$1.6 million as shown in the table below.



Cannabis Approved Assignment Uses FY 2023-24	
Description	FY 2023-24
Assignment Blance	\$ 3,237,666
FY 2022-23 Previously Approved:	\$ 1,343,363
A 23-081 AECOM Agreement:Natural Disaster Cost Recovery Efforts	\$ 550,000
22-088 Farmworker Resource Center	\$ 250,000
Recommended Budget-GPUI Update	\$ 493,363
A 22-566 Alisal Vibrancy Plan Implementation	\$ 50,000
FY 2023-24 Approved:	\$ 103,136
RES 23-205 Install Electric Vehicle Chargers at Libraries	\$ 103,136
FY 2024-25 Approved:	\$ 70,354
RES 23-212 Management and Administration of AB 102 Grant	\$ 70,354
FY 2025-26-24 Approved:	\$ 70,354
RES 23-212 Management and Administration of AB 102 Grant	\$ 70,354
Total approved:	\$ 1,587,207
Assignment Blance:	\$ 1,650,459

General Fund Expenditures

The FY 2023-24 adopted budget included appropriations of \$847.8 million. The modified budget is



\$854.4 million. There are modifications to budgets which occurred after this report was compiled and were not included in the modified budget figures due to timing. Departments continue to amend their budget throughout the year as the need arises and the final modified budget will be different.

Current year expenditures are estimated at \$838.2 million, or 16.0 million below budgeted expenditures.

The primary factor for below budget expenditures in the current year is \$24.0 million in salary and benefits savings from vacancies across the County. The Health Department alone accounts for \$3.9 million in salary and benefit savings, the Department of Social Service \$4.1 million and Public Works, Facilities and Parks \$2.3 million, as the departments continue to struggle recruit and to find qualified staff.

At the writing of this report, the County had an overall 16.6% vacancy rate in the general fund. For perspective, the 2.5% increase that most units in the County received and the wage adjustments had an estimated cost \$22.5 million in the current year, based on currently filled positions. At the time the forecast was developed there were an estimated 598 vacancies in the general fund, with an estimated annualized value of \$52.9 million next fiscal year. Of these vacancies, approximately 56% reside within two departments: Health and Social Services. To the extent these departments fill vacant positions costs will go up, but it is likely some of the costs would qualify for some level of reimbursements from State and federal agencies. Therefore, vacancies in these departments do not translate into County savings to the same extent than departments which 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, one-time expenditures such as infrastructure projects are excluded. In the

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 expenditures in the current year are financed with fund balance. The FY 2023-24 adopted budget included \$11.1 million use of fund balance to cover one-time expenditures. One-time funding of \$17.9 million of ARPA funds were allocated throughout general fund departments to alleviate revenue loss and continue with COVID-19 response efforts. Cannabis Assignment of \$1.6 million was allocated for numerous one-uses allocated previously for such items as the Natural Disaster Cost Recovery Efforts, Farmworker Resource center, Budget -GPU update, Alisal Vibrancy Plan Implementation, Management and Administration of AB102 Grant and the installation of electric vehicle charge at libraries. Remaining fund balance use includes \$11.1 million of departmental restricted fund balance use for health, social services and public safety programs.

ARPA- COVID -19 Pandemic Aid

In March 2021, the federal government enacted the American Rescue Plan (ARPA) which provides \$350.0 billion in emergency funding for state, local, territorial, Tribal governments to respond to the COVID-19 public health emergency, or its negative economic impacts, including providing assistance to households, small businesses, and nonprofits, or aid to impacted industries, such as tourism, travel, and hospitality. The County was allocated \$84.3 million, paid in two installments over two years (2021 and 2022). The Board's spending plan allocated the ARPA funds over four fiscal years. The County must utilize or obligate the ARPA funds by December 31, 2024.

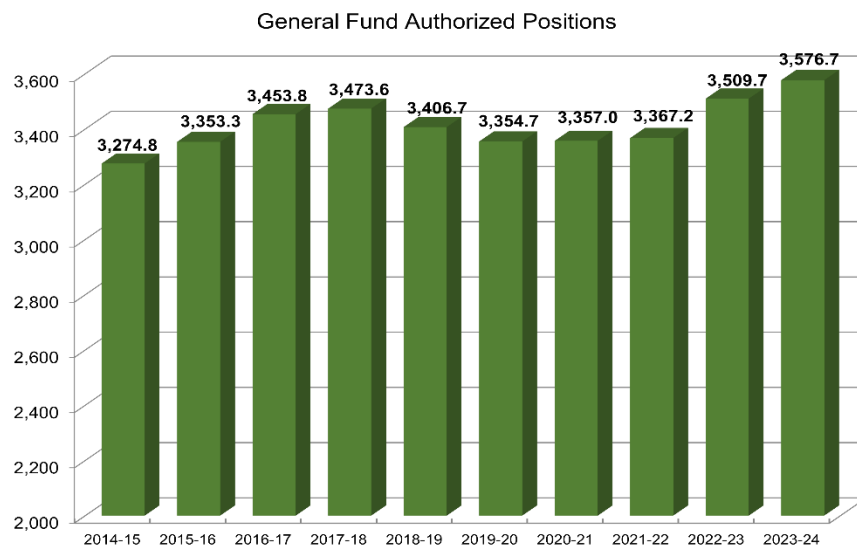
Monterey County ARPA Plan Expenditure Summary								
Updated 11/07/2023								
General Fund								
Department	Spent			Allocated*	Variance	Budgeted	Allocated	Total Allocated
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	All Years
Ag Commissioner	\$-	\$222,353						\$222,353
Assessor-Clerk Recorder						\$545,159		\$545,159
Auditor Controller	\$-	\$167,200	\$356,590	\$356,590	\$-			\$523,790
Board of Supervisors	\$-	\$-	\$234,506	\$234,506	\$-			\$234,506
Civil Rights	\$-	\$50,799	\$199,010	\$204,767	\$5,757	\$38,294		\$288,103
Clerk of the Board	\$-	\$-	\$102,727	\$102,727	\$(0)			\$102,727
Cooperative Extension						\$40,118		\$40,118
County Administrative Office	\$4,989,651	\$2,669,030	\$2,605,688	\$3,668,762	\$1,063,074	\$2,667,864	\$800,000	\$13,732,234
County Administrative Office EOC	\$747,169	\$(747,169)	\$-	\$100,000	\$100,000	\$100,000		\$100,000
County Counsel	\$-	\$107,494	\$517,710	\$517,710	\$-			\$625,204
Department of Emergency Management						\$215,354	\$195,354	\$410,708
District Attorney	\$-	\$237,000	\$1,687,964	\$1,687,964	\$-	\$100,325		\$2,025,289
Elections						\$1,460,659		\$1,460,659
Health	\$2,045,677	\$6,329,477	\$1,955,732	\$3,307,419	\$1,351,687	\$749,148	\$77,973	\$11,158,007
Housing and Community Development	\$-	\$934,112	\$520,000	\$520,000	\$-	\$320,906		\$1,775,018
Human Resources	\$-	\$349,545	\$652,660	\$652,659	\$(1)	\$50,000		\$1,052,204
Information Technology	\$-		\$1,395,901	\$3,295,901	\$1,900,000	\$4,095,333		\$5,491,234
Probation	\$-	\$371,012	\$12,558	\$12,560	\$2	\$136,182		\$519,752
Public Defender	\$-	\$504,002	\$559,549	\$559,549	\$-	\$292,970		\$1,356,521
Public Works Facilities and Parks	\$424,720	\$3,400,726	\$1,414,394	\$1,414,394	\$-	\$1,523,102		\$6,762,943
Sheriff Coroner	\$504,038	\$2,906,798	\$3,812,723	\$3,812,723	\$-	\$3,380,255		\$10,603,814
Social Services	\$256,989	\$223,822	\$1,518,629	\$2,062,293	\$543,664	\$2,114,659		\$4,114,099
Social Services (storm- general asst)			\$25,575	\$250,000	\$224,425			\$25,575
Treasurer Tax Collector	\$-	\$61,810		\$-	\$-	\$38,203		\$100,013
Totals General Fund	\$8,968,245	\$17,788,011	\$17,571,916	\$22,760,524	\$5,188,608	\$17,868,531	\$1,073,327	\$63,270,030

Other Funds								
	Spent			Allocated FY 2022-23	Variance FY 2022-23	Allocated FY 2023-24	Allocated FY 2024-25	Total Allocated All Years
	FY 2020-21	FY 2021-22	FY 2022-23					
Emergency Communications	\$-	\$278,046			\$-			\$278,046
Public Works - Carmel Lagoon		\$96,867	\$110,583	\$160,027	\$49,444	\$49,444		\$256,894
Public Works - prop 68		\$-	\$63,001	\$157,848	\$94,847	\$94,857		\$157,858
Public Works - Road Fund	\$-	\$110,000			\$-			\$110,000
Public Works - Boronda CSD	\$-	\$38,993			\$-			\$38,993
Public Works - San Jerardo CSD	\$-	\$35,159	\$131,341	\$131,341	\$-			\$166,500
Public Works - Pajaro CSD	\$-	\$-	\$1,178,797	\$1,178,797	\$-	\$1,160,163		\$2,338,960
Public Works - Capital Projects	\$-	\$1,655,119	\$7,024,104	\$7,565,866	\$541,762	\$7,208,384	\$-	\$15,887,607
Public Works - Health HVAC	\$-	\$-	\$22,346					
Workforce Development Board Fund	\$745,342	\$145,425		\$-	\$-			\$890,766
Totals Other Funds	\$745,342	\$2,359,609	\$8,530,173	\$9,193,879	\$686,052	\$8,512,848	\$-	\$20,125,625
Grand Total Obligated County	\$9,713,586	\$20,147,619	\$26,102,089	\$31,954,403	\$5,874,660	\$26,381,379	\$1,073,327	\$83,395,654
Federal Allocation			\$55,963,295					\$84,311,261
			66.38%					
Unallocated								\$915,607

The table above represents the updated ARPA Plan as of November 2023. In FY 2020-21 a total of \$9.7 million was spent with the expenditures occurring in the general fund (\$8.9 million) and other funds (\$745,342). At the end of FY 2021-22, the general fund had expended \$17.8 million while other funds spent \$2.4 million for a total of \$20.1 million. In FY 2022-23, a total of \$26.1 million was spent with (\$17.6 million) in the general fund and (\$8.5 million) in other funds. In FY 2023-24, a total for \$26.3 million has been allocated of this amount \$17.9 million is in the general fund in the revenue loss category and \$8.5 million in the other funds. In FY 2024-25, \$1.1 million has been set aside for by the Board for a specific purposes such as \$195,000 for an emergency operation plan, \$77,973 for violence prevention programs and \$800,000 for DSA's. The CAO budget office recommends that any funding needs requesting ARPA as the financing source are considered by the Board as part of the budget process. This would enable the Board to make funding decisions based on a comprehensive view of the overall County' needs.

Major Cost Drivers

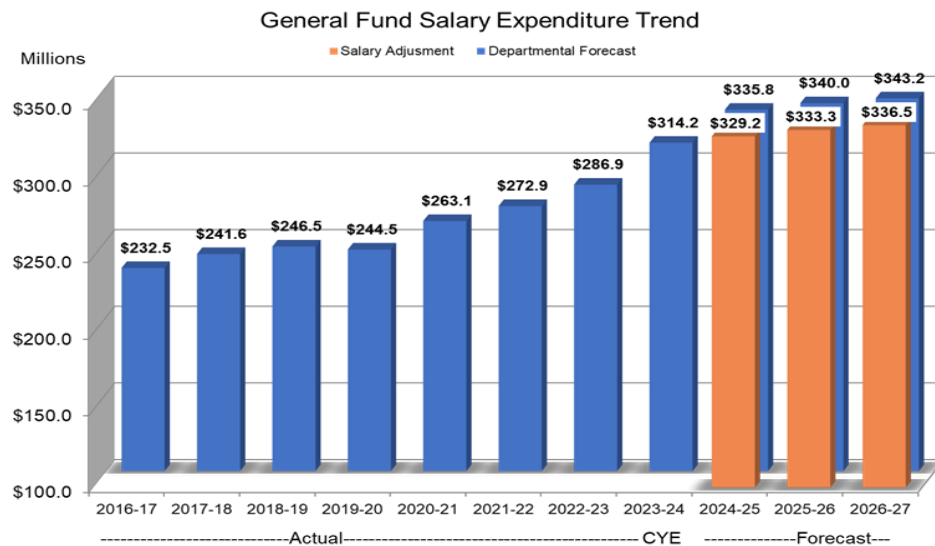
County programs and services continue to be impacted by higher labor costs resulting from negotiated salary increases, increased employer pension contributions, increased healthcare costs, higher



workers' compensation, and general liability costs.

Prior and current fiscal year wage increases add to salary cost. In July 2021 and October 2021, the Board of Supervisors approved wage increases for FY 2021-22 through FY 2023-24. The Board approved wage increases for most labor groups of 2.0% through FY 2022-24, while SEIU represented units received 2.0% in the FY 2021-22 and 2.5% in the subsequent two years. Additionally, the County has implemented wage adjustments for various classifications throughout the County resulting in increased costs to the County. These adjustments originated from compensation studies conducted by Human Resources in accordance with the County's compensation philosophy. Independent of position growth, wage increases approved for the three fiscal years had an estimated impact of \$34.2 million in cost (wages and impact to payroll taxes and higher pension contributions) to the general fund in the current year, compounded to \$54.0 million by the end of FY 2024-25. The forecast assumes approved wage increases through FY 2024-25.

Along with increases in staffing levels, salary increases continue to constrain department's budgetary flexibility. Between FY 2014-15 and FY 2017-18, general fund positions increased year-over-year, with a total of 198.8 general fund positions added. However, FY 2018-19 was the first-year general fund positions experienced an overall drop. Although it appears FY 2019-20 positions decreased, this was due to the move of Emergency Communications out of general fund (75 positions). General Fund positions grew year-over-year by a total of 198.8 positions from FY 2020-21 to FY 2023-24.



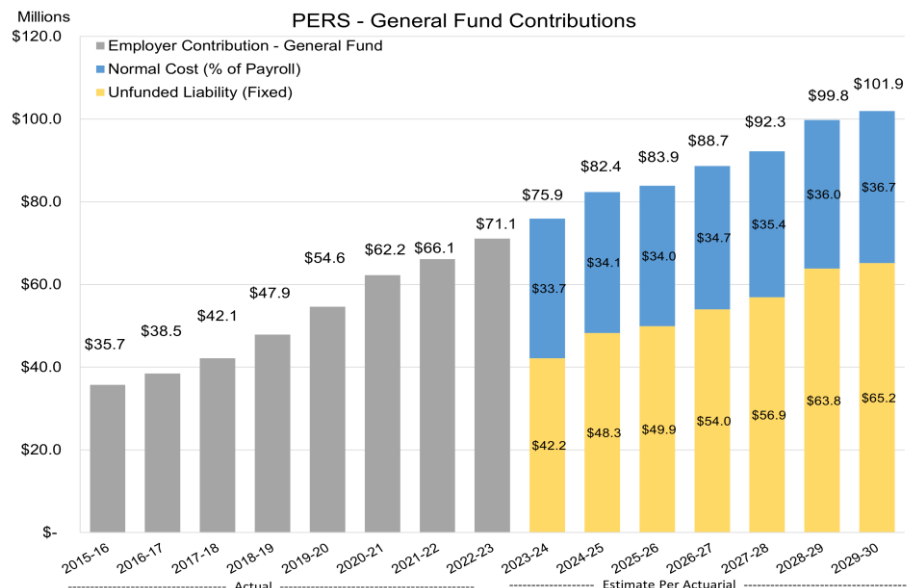
Departments estimate salary expenditures increase \$27.3 million, from \$314.2 million in the prior year to \$335.8 million in the current year. The estimate includes higher wages based on labor agreements, classification age studies, plans to fill additional positions through the current year, and step advances. 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. Some Departments such as Health and Social Services build in a vacancy rate into the forecast. However, it is important to note that most departments experience turnover and attrition, and actual performance is historically better than the projections. As such, the forecast added a salary savings adjustment to illustrate prior years' experience more closely in salary expenditures. Taking

the salary adjustment into consideration, salary expenditures increase to \$336.5 million by FY 2026-27. The forecast includes future wage increases for labor agreements through FY 2024-25; the forecast period does not include wage increases as labor agreements are set to expire by FY 2024-25 and negotiations are currently occurring.

Employer contributions continue to increase. 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. Projections are also based on payroll reported to CalPERS and assume an inflation factor; however, projections do not consider adding new positions. Any changes to those elements will have a direct impact on required contributions.



General fund contributions continue to increase in the forecast years with an increase of \$6.5 million next fiscal year bringing the total contribution to \$82.4 million, which is over double the FY 2015-16 contribution. 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, which set FY 2018-19 contributions. Additionally, there was a shift to charge unfunded accrued liability (UAL) payment as a fixed dollar amount rather than a percent of payroll to prevent funding issues. With these changes, there was a five-year ramp up period where contributions were accelerated to pay down liabilities; however, the full impact of

increases to UAL payments was anticipated to be seven years, through FY 2024-25, due to the phase in period of the discount rate and then UAL payments were anticipated to level off.

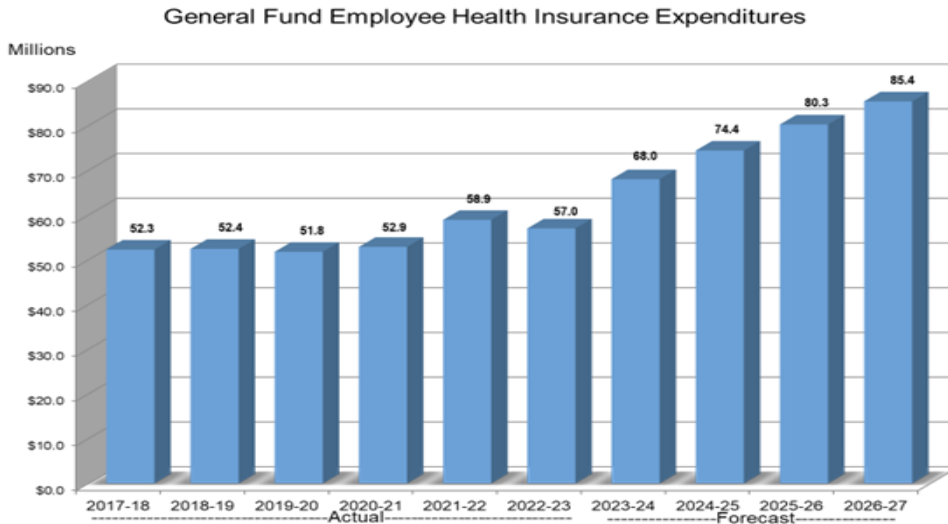
The projections reflect lower increases after FY 2024-25 than increasing in the forecast years. However, CalPERS announced that as part of their Funding Mitigation Policy, the discount rate will be further reduced to 6.8% effective with the June 30, 2021 valuation. Their policy seeks to reduce funding risk over time and establishes a mechanism that prompts adjustments if the investment performance significantly outperforms the discount rate, expected investment returns, and strategic asset allocation targets. This was the case for FY 2020-21, where performance yielded a 21.3% return on investment, and therefore, a 20-basis point adjustment was triggered by the funding policy. In FY 2021-22, the performance yielded a -6.1% return on investment leading to the first loss since the 2009 financial crisis. As a result, employer contributions are expected to increase in the coming years.

The changes to CalPERS funding policy have resulted in increasing contributions for the County, consuming a larger share of revenue every year. The contributions for FY 2023-24 and through the forecast years are based on a 6.8% discount rate. In September, CalPERS announced an investment return rate of 5.8% for FY 2022-23 which is 1% below the 6.8% forecasted rate. The 1% investment loss will be amortized over 20 years with employer contribution payment beginning in FY 2025-26. 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 chart breaks out the portion of the contribution that goes toward paying unfunded liabilities. The County's current unfunded liabilities of \$866.2 million after considering the \$81.3 million in the 115-pension trust fund.

To help reduce the County's unfunded liability, the Board of Supervisors adopted a pension liability policy during FY 2020-21 and the County established an IRS Section 115 pension trust. The trust serves as an investment vehicle outside of the County's Treasury Pool to generate investment proceeds to address future pension liability obligations. This is important progress toward planning for the future and managing growing unfunded liabilities. Trust assets may be used for contributions and / or supplemental payments to unfunded liabilities. In the long term, this reduces reliance on discretionary revenues to meet this obligation and prepares the County for hard economic times potentially averting reductions of critical programs. Initially, the County used onetime funds to establish the pension trust, this includes a \$3.5million from Natividad. Additionally, in FY 2022-23, a \$250,000 appropriation and revenue increase were approved by the Board to finance the independent administrator expenses to manage the County's investment was approved by the Board from funded by the surplus of FY 2021-22.

In addition to the one-time contributions, beginning with FY 2022-23 the County implemented a supplemental pension contribution plan to continue the progress toward paying down future unfunded liabilities. This plan allows for continuous investments as opposed to only contributing surpluses or one-time funds. In FY 2022-23 the total allocations for this plan are in the general fund (\$15.2 million all funds). In FY 2023-24, allocations will remain the same at \$15.2 million. This pension charge intends to capture County and non-County funding sources to share in the growing UAL costs created in prior years as it is anticipated that some departments will recover a portion of these costs from non-County sources. It is important to note that although the County has taken various actions to address the unfunded liability and forecasted years show lower contributions, they will not revert to those of FY 2015-16.

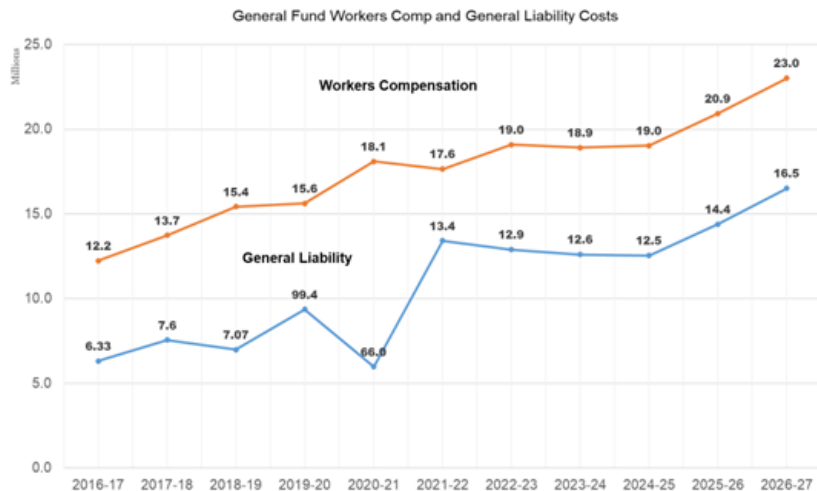
Increases in health insurance premiums continue to add to Countywide fiscal pressures. Health



care costs for the current year are estimated at \$68.0 million, an increase of \$11.0 million from the prior year. As comparison, costs increased \$4.7 million from FY 2017-18 to FY 2022-23. Costs increased \$4.7 million from FY 2017-18 to FY 2022-23. Additionally, costs are estimated to grow by \$6.4 million in FY 2024-25 a significant increase with premium increasing for PERS Gold by 12.17% and PERS Platinum PPO by 12.18%. This increase is a direct result of premium increases, phase out of more affordable plans, and the terms of the latest negotiated labor contracts which include higher County contributions for premiums and higher costs of flex cash credits provided to more bargaining groups. However, much of the increase is tied to assumptions that vacancies are filled. increase in forecast years^(OBI) (FY 2024-25 through FY 2026-27).

Costs to run internal service fund programs continue to increase.

The workers' compensation program continues its trend of increasing projected allocated costs. FY 2024-25 costs are estimated at \$19.0 million or \$105,095 million higher than the current year and projected to grow 10% annually in the following two years, to \$23.0 million by FY 2026-27. This growth represents a \$10.8 million increase from FY 2016-17 costs. Next fiscal year, the general liability (GL) program's allocated costs to departments also are estimated slightly lower than the current year at \$12.5 million (recoverable and non-recoverable combined) and then grow 15% in the subsequent two years to \$16.5 million by FY 2026-27. Costs for this program were \$6.3 million in FY 2016-17, resulting in a growth of \$10.2 million by the end of the forecast period.

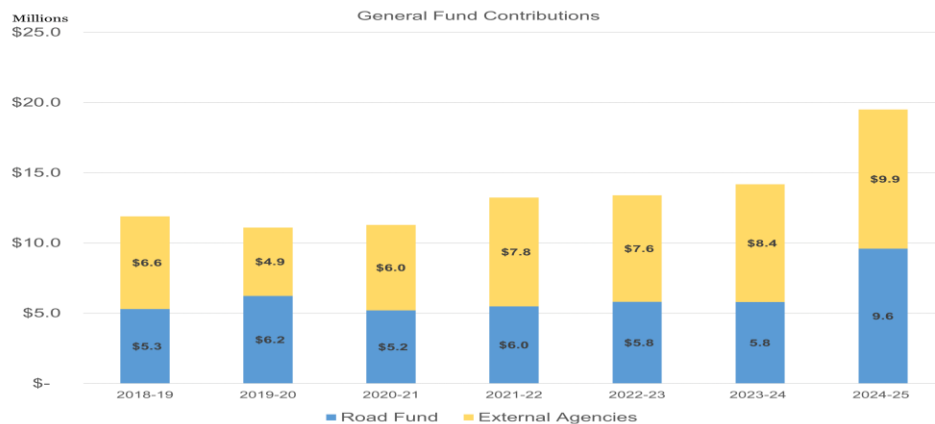


The chart above, shows the trend of historical and projected workers' compensation and general liability costs. The chart reflects a dip in FY 2020-21 for general liability costs, which reflects the suspension of approximately \$8.5 million in charges of GL recoverable costs to general fund

departments due to budgetary constraints. In FY 2021-22, the GL recoverable costs resumed.

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 \$13.4 million in FY 2022-23 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. In FY 2020-21, the contribution was based on a formula driven approach amount but with a cap reflecting the anticipated decline of TOT revenue resulting in a contribution of \$1.2 million. In FY 2021-22, the amount was based on a formula using FY 2018-19 (pre pandemic) revenue, resulting in a contribution of \$2.5 million. On April 26, 2022, the Board of Supervisors established that moving forward contributions would no longer be based on a formula, but rather capped at the FY 2019-20 amount of \$2.1 million. The forecast assumes static amounts from the current year. Contributions to these agencies had grown \$1.2 million annually over the last nine fiscal years but decrease in the current year by \$532,684. During the budget development, the Board decides the level of contributions and can modify distribution percentages for this funding 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 2023-24 contributions to user agencies of the 911 center total \$2.3 million and the allocation to the fire districts is \$4.1 million and were based on the original formula using FY 2021-22 actuals as the base. Contributions to user agencies and fire districts have grown \$582,895 and \$1.1 million annually over the last five fiscal years. Due to a favorable Proposition 172 revenue trend the assumes a growth in contributions from the current year.

- **TOT to the Road Fund.** 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 2022-23 the amount was kept at the minimum MOE required. In FY 2024-25 based on Board direction, will return to Board adopted policy contributing a percentage of TOT revenue to the Road fund. Based on current formulas, next fiscal year, the estimated contribution to the Road Fund to meet MOE is \$5.8million will be exceeded by \$3.8 million for a total of \$9.5 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 main cost pressure in the current year is the impact of approved labor agreements, as department budgets did not include assumptions of increased wages when they developed their FY 2023-24 budgets because labor negotiations were ongoing. Although most departments are anticipating absorbing the additional cost, some departments may require budgetary solutions in the current year.

Emerging Needs - General Fund	FY 2023-24	FY 2024-25	FY 2025-26
Wage study adjustments	\$ 8.0	TBD	TBD
Salary Increases, Labor Agreements	\$ 22.5	\$ 50.4	TBD
PERS Contribution Increase	\$ 3.7	\$ 3.6	TBD
2023 Winter Storm & Atmospheric River Event	\$ 52.1	TBD	TBD
2024 Winter Storm Event		TBD	TBD
Total	\$ 86.3	\$ 54.0	\$ -

Salary increases. Most bargaining units labor agreements with the County in the current year, resulting in additional costs of \$22.5 million. Additionally, several wage studies for various classifications occurred in the current year, with an estimated cost of \$8.0 million for the current year. The figures reflected for FY 2023-24 and FY 2024-25, do not include additional wage studies in progress, or the wage increases units that are finalizing negotiations. Since these costs were not built into the current year budget, next year's cost will result in a compounded amount of \$50.4 million. While non-program revenue is increasing, it is not sufficient to keep pace with increasing costs, resulting in some unfunded needs next fiscal year.

Supplemental pension charge. The County will continue to charge departments to save for supplemental pension contributions to invest funds for future pension obligations. It is essential to establish a diligent plan to address growing unfunded pension liabilities to safeguard the County's operations in future years, as these unfunded liabilities pose a significant risk to operations if not addressed. The current UAL balance as of the writing of this report is \$866.2 million.

PERS contribution. As mentioned earlier in the report, pension contributions continue to increase. An increase of \$3.6 million is anticipated next fiscal years. This is independent of position growth or salary increases.

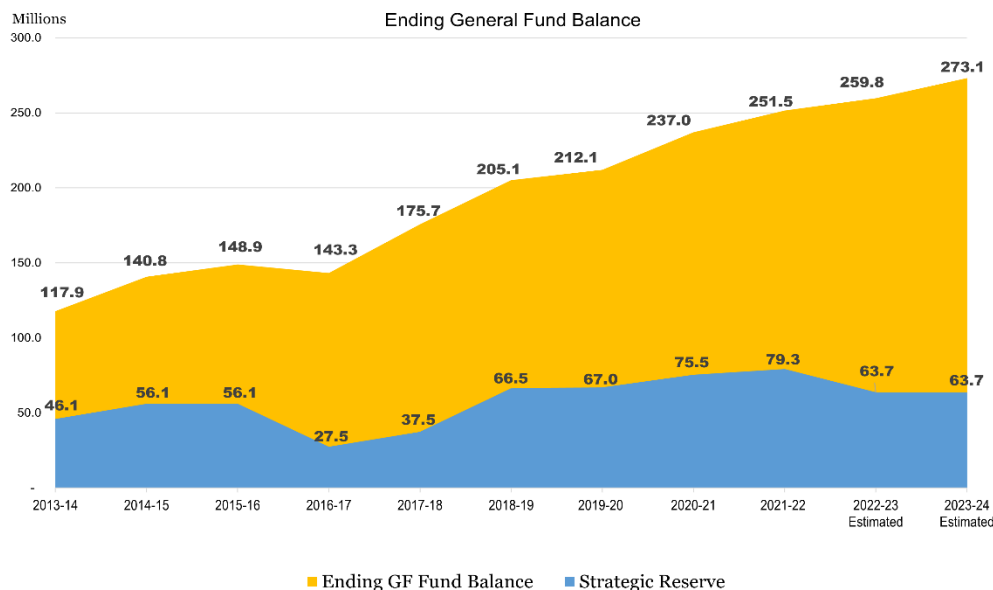
Pandemic Response. Impact to County operations will likely continue into FY 2024-25. Specific impacts will be estimated during the budget preparation cycle. Additionally, the County will allocate

ARPA funds which can be utilized to offset the costs related to pandemic response. The evolution of the pandemic will continue to be monitored so that early action could be taken once specific impacts are identified.

Winter Storm and Atmospheric River Event. The storm and atmospheric river event required the activation of the Emergency Operations Center for the County to its highest level with staff from County departments, other cities, state agencies and disaster assistance organizations participating on a 24 hour in-person basis. Cost for labor/staffing, services and supplies, and capital projects were calculated at a total of \$52.1 million. It is important to note that the County staff continues to seek FEMA reimbursements.

2024 Winter Storm. The storm required the activation of the Emergency Operation Center. The total impact and cost to the County is unknown currently, but staff will seek FEMA reimbursements.

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 2023-24 modified budget includes \$11.6 million in use of fund balance including funds authorized from restricted fund balance and other assignments. The current year estimate reflects an improvement of \$11.4 million to fund balance, primarily due to positive non-program revenue results. Based on the current year estimated results, the estimated general fund balance is projected at \$273.1 million at year-end. At the time this report was written, the Annual Comprehensive Financial Report (ACFR) was not available; therefore, fund balance figures for FY 2023-24 are estimated.

The County has previously built up the general fund strategic reserve which allowed the County to be able to respond to natural disasters and extraordinary legal costs. Because of favorable results, the County was able to keep investing in the Strategic Reserve reaching 10% of estimated annual general fund revenues, thereby meeting the Board's strategic reserve policy ceiling in FY 2021-22 (\$79.3

million). Therefore in FY 2022-23, the County was able to redirect \$52.1 million towards unforeseen disasters.

The current Strategic Reserve is \$63.7 million an increase of \$36.5 million mainly due to reimbursement from FEMA dating back to the disasters in 2017. There is currently a request to the Board returning \$1.1 million in Strategic Reserves provided to Non-General funds for winter storm projects no longer requiring the advance funding for projects, therefore, increasing the strategic reserve to \$64.8. Additionally, the request includes the reallocation of unused (\$3.1 million) strategic reserve funds to be used to completed winter storm project reducing the balance to \$61.7 million if approved.

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. Potential uses of the strategic reserve will help the County mitigate impacts during an economic recession or other extraordinary events. 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.

Natural Disasters Affecting the County's Finances

The County has seen an increase in the number of disasters affecting its constituents. The severity of these disasters has also grown in duration and intensity. This has required the County to utilize a significant amount of its local reserves to help alleviate the community's impact caused by these disasters pending federal and other financing sources which could be used for this purpose. Since Federal reimbursements for these costs usually take a long time to reach local communities, the County the impact to the County's finances has been significant. Based on estimates provided by the Department of Emergency Management (DEM), since 2019, the County has incurred and estimated \$125.5 million in response to various emergencies of which an estimated \$3 million has been received from the Federal government and \$85.7 million are outstanding. The final reimbursement amount is still under review and does not account for the \$23 million the County received in FY 2022-23 from the State as part of an advance to help respond to the 2023 storm events. The CAO department will continue working with the DEM department to fine tune these figures and provide a more complete picture of FEMA reimbursements when the FY 2024-25 budget is presented to the Board.

			Best Available			
Disaster	Description	Estimated Available Cost	Federal Share Cost (FEMA)	Reimbursement Amount		
				Obligated	Received	Outstanding
4683	2023 January Storms	25,295,753	19,141,834	18,447		19,141,834
4699	2023 March Storms	66,115,505	49,586,629	0		49,586,629
4558	2020 Fires	1,820,703	1,737,358	1,737,358	1,123,053	614,306
4482	COVID	31,766,408	18,214,534	2,385,919	1,841,810	16,372,724
4434	2019 Storms	456,032	77,251	77,251	68,833	8,418
Total		125,454,401	88,757,606	4,218,975	3,033,696	85,723,910

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 including 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 because 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 District Attorney, the Sheriff's Office and Department of Social Services.

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. All non-program revenue, including growth, was allocated as GFC to departments.

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
- Cost Plan Adjustment – preliminary GFC planning estimates did not include an adjustment to departments GFC for anticipated cost plan charges or credits. Departments assumed static cost plan charges and credits for the forecast. 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.

Departmental Forecasts

Departmental forecasts assume the budget year 2023-24 preliminary General Fund Contribution (GFC) figures as approved by the Board to fund levels of staffing and services as prioritized in the adopted budget; and assumes growth in discretionary revenue in the FY 2024-25 is distributed using the same priorities. GFC for the remaining forecast years is assumed to be static from FY 2024-25. The forecast tables in the upcoming sections reference the cost plan. This represents the cost allocation plan charges or credits for departments receiving or providing internal administrative services respectively.

Agricultural Commissioner	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$12,445,406	\$12,291,083	\$13,219,709	\$13,588,988	\$14,017,947
B. Cost Plan	1,289,785	1,289,785	1,289,785	1,289,785	1,289,785
C. Total Expenditures	13,735,191	13,580,868	14,509,494	14,878,773	15,307,732
D. Revenue	8,715,100	8,994,000	9,446,800	9,897,214	10,369,897
E. Financing Need, C-D	5,020,091	4,586,868	5,062,694	4,981,559	4,937,835
F. Preliminary GFC	5,020,091	5,020,091	4,796,968	4,796,968	4,796,968
G. Surplus/(Deficit), F-E	\$ -	\$ 433,223	\$ (265,726)	\$ (184,591)	\$ (140,867)

Agricultural Commissioner– The Agricultural Commissioner’s Office expects to end the current year with \$13.6 million in expenditures, \$9.0 million in revenues and a general fund contribution of \$4.6 million resulting in a year-end surplus of \$433,233. The surplus is primarily due to salary savings on vacant positions. The department plans to fill the openings within the fiscal year. In the forecast years, the projected expenses increase due to higher salary and benefit costs, increases to service & supply due to inflationary pricing and scheduled equipment and vehicle replacement. Revenues are anticipated to increase in forecast years through the department’s continued work that qualifies for unclaimed gas tax revenue and Mill tax revenue by meeting the State’s maintenance of effort requirements at the end of each fiscal year. Deficits are anticipated in the forecast years because revenue growth is not sufficient to keep up with rising expenses.

Auditor-Controller	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	\$ 8,160,866	\$ 7,784,680	\$ 8,621,384	\$ 11,657,535	\$ 11,816,853
B. Cost Plan	(5,866,525)	(6,050,615)	(5,866,525)	(5,866,525)	(5,866,525)
C. Total Expenditures	2,294,341	1,734,065	2,754,859	5,791,010	5,950,328
D. Revenue	722,060	495,534	495,534	495,534	495,534
E. Financing Need, C-D	1,572,281	1,238,531	2,259,325	5,295,476	5,454,794
F. Preliminary GFC	1,572,281	1,572,281	1,356,564	1,356,564	1,356,564
G. Surplus/(Deficit), F-E		\$ 333,750	\$ (902,761)	\$ (3,938,912)	\$ (4,098,230)

Auditor-Controller – The table summarizes the finances for departmental operations. The Auditor-Controller estimates ending the fiscal year with expenditures of \$1.7 million and revenues of \$495,534, resulting in a projected surplus of \$333,750. 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 contributions and supplemental charges, health insurance cost, salary increases resulting from labor agreements and wage studies, and decreased interfund reimbursements for staff costs because of the expected completion of the ERP Replacement project.

Assessor- Clerk/Recorder	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 9,389,729	\$ 8,334,320	\$ 9,873,974	\$10,145,101	\$10,479,840
B. Cost Plan	1,000,941	1,000,941	1,352,794	1,352,794	1,352,794
C. Total Expenditures	10,390,670	9,335,261	11,226,768	11,497,895	11,832,634
D. Revenue	4,186,000	3,700,530	4,306,000	4,306,000	5,106,000
E. Financing Need, C-D	6,204,670	5,634,731	6,920,768	7,191,895	6,726,634
F. Preliminary GFC	6,204,670	6,204,670	6,178,377	6,178,377	6,178,377
G. Surplus/(Deficit), F-E	\$ -	\$ 569,939	\$ (742,391)	\$ (1,013,518)	\$ (548,257)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of \$9.3 million, and revenues of \$ 3.7 million resulting in an estimated surplus of \$ 569,939. The estimated surplus is attributed to salary savings from vacant positions. Revenue continues to decrease as real estate transactions in the Recorder’s office decrease. Forecasted deficits are due to estimated step advances, negotiated salary increases, employee benefit costs and decreased revenue.

Board of Supervisors	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 4,184,255	\$ 4,090,334	\$ 4,375,280	\$ 4,479,646	\$ 4,617,368
B. Cost Plan	773,756	774,136	774,136	774,136	774,136
C. Total Expenditures	4,958,011	4,864,470	5,149,416	5,253,782	5,391,504
D. Revenue		-	-	-	-
E. Financing Need, C-D	4,958,011	4,864,470	5,149,416	5,253,782	5,391,504
F. Preliminary GFC	4,958,011	4,958,011	5,012,377	5,012,377	5,012,377
G. Surplus/(Deficit), F-E	\$ -	\$ 93,541	\$ (137,039)	\$ (241,405)	\$ (379,127)

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 \$4.9 million compared to a budgeted GFC of \$5.0 million, resulting in a year-end estimated surplus of \$93,541. The estimated surplus is primarily due to decreases in various services and supplies such as travel, miscellaneous supplies, and other departmental expenses. The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, retirement costs, and general liability insurance.

Child Support Services	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$11,349,785	\$10,931,440	\$11,541,270	\$11,757,017	\$12,193,821
B. Cost Plan	813,909	815,025	815,025	815,025	815,025
C. Total Expenditures	12,163,694	11,746,465	12,356,295	12,572,042	13,008,846
D. Revenue	12,084,859	11,667,630	12,331,153	12,543,127	12,841,643
E. Financing Need, C-D	78,835	78,835	25,142	28,915	167,203
F. Preliminary GFC	78,835	78,835	64,428	64,428	64,428
G. Surplus/(Deficit), F-E	\$ -	\$ -	\$ 39,286	\$ 35,513	\$ (102,775)

Child Support Services - Child Support Services is funded almost entirely through federal and state subventions for mandated services. The Department estimates year-end expenditures of \$11.7 million, revenue of \$11.7 million and GFC of \$78,835. The GFC is to cover non recoverable cost such as non-recoverable general liability and Enterprise Resource Planning (ERP) cost that are not reimbursable by the State. The Department's expenses are \$417,229 below budget primarily due to salary savings resulting from turnover and retirements during the year.

Expenditures are forecasted to increase primarily due to increase in employee salary and benefits, workers compensation and PERS contributions. It is projected that the Department's funding allocations from the State Department of Child Support will continue to cover rising expenditures over the next two years, with the exception of non-recoverable costs. However, a deficit is projected in FY 2026-27 due to rising cost pressures, assuming the allocation from the State Department of Child Support remains static with FY 2023-24.

Civil Rights	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 1,134,199	\$ 1,063,689	\$ 1,147,249	\$ 1,183,442	\$ 1,210,532
B. Cost Plan	(726,202)	(726,272)	(726,202)	(726,202)	(726,202)
C. Total Expenditures	407,997	337,417	421,047	457,240	484,330
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	407,997	337,417	421,047	457,240	484,330
F. Preliminary GFC	407,997	407,997	408,902	408,902	408,902
G. Surplus/(Deficit), F-E	\$ -	\$ 70,580	\$ (12,145)	\$ (48,338)	\$ (75,428)

Civil Rights – The Civil Rights Office estimates expenditures of \$1.1 million offset by a cost plan credit of \$726,272 and GFC of \$407,997 for a projected year end surplus of \$70,580 attributable to a recent vacancy anticipated to be filled by the end of the fiscal year. However, it anticipates deficits at current level funding for forecasted years. However, the Civil Rights Office anticipates deficits at the current level of funding for forecasted years, increasing to \$75,428 by the last year of the forecast. Salary, pension, and healthcare costs continue to increase, as well as civil rights training, investigations, and administrative services supporting the Civil Rights Office's functions.

Clerk of the Board	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 1,006,673	\$ 902,528	\$ 1,041,094	\$ 1,063,405	\$ 1,087,987
B. Cost Plan	312,681	312,681	312,681	312,681	312,681
C. Total Expenditures	1,319,354	1,215,209	1,353,775	1,376,086	1,400,668
D. Revenue	20,000	20,000	20,000	20,000	20,000
E. Financing Need, C-D	1,299,354	1,195,209	1,333,775	1,356,086	1,380,668
F. Preliminary GFC	1,299,354	1,299,354	1,293,069	1,293,069	1,293,069
G. Surplus/(Deficit), F-E	\$ -	\$ 104,145	\$ (40,706)	\$ (63,017)	\$ (87,599)

Clerk of the Board – The Clerk of the Board estimates year-end expenditures of \$1.2 million and revenue of \$20,000 ending the year with a surplus of \$104,145. The surplus is mainly due to salary savings from vacancies and leave of absence. 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, negotiated salary increases and employee benefit costs resulting in projected deficits.

Cooperative Extension	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 496,720	\$ 485,145	\$ 520,990	\$ 535,174	\$ 547,826
B. Cost Plan	(2,826)	(2,862)	(2,826)	(2,826)	(2,826)
C. Total Expenditures	493,894	482,283	518,164	532,348	545,000
D. Revenue	26,463	15,038	20,814	20,851	20,895
E. Financing Need, C-D	467,431	467,245	497,350	511,497	524,105
F. Preliminary GFC	467,431	467,431	453,513	453,513	453,513
G. Surplus/(Deficit), F-E	\$ -	\$ 186	\$ (43,837)	\$ (57,984)	\$ (70,592)

Cooperative Extension - Cooperative Extension estimates ending the current year with \$482,283 in expenditures, \$15,038 in revenue and a GFC of \$467,431, resulting in a surplus of \$186. The Department projects a deficit in the forecasted years, primarily due to higher salary and benefits costs resulting from step increases and higher benefits cost.

County Administrative Office	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 17,916,230	\$ 11,714,724	\$ 10,078,785	\$ 10,001,780	\$ 10,209,577
B. Cost Plan	(5,210,065)	(5,210,140)	(5,210,140)	(5,210,140)	(5,210,140)
C. Total Expenditures	12,706,165	6,504,584	4,868,645	4,791,640	4,999,437
D. Revenue	7,535,454	2,045,932	272,870	50,000	50,000
E. Financing Need, C-D	5,170,711	4,458,652	4,595,775	4,741,640	4,949,437
F. Preliminary GFC	5,170,711	5,170,711	4,377,374	4,377,374	4,377,374
G. Surplus/(Deficit), F-E	\$ -	\$ 712,059	\$ (218,401)	\$ (364,266)	\$ (572,063)

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, Economic Development, Cannabis, and Sustainability.

The Department projects year-end expenditures of \$11.7 million, financed by cost plan credits of \$5.2 million, revenues of \$2.0 million, and GFC of \$4.5 million. These projections result in a year-end estimated surplus of \$712,059. The estimated surplus is primarily due to salary savings from vacancies.

The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, and retirement costs.

County Counsel	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 6,375,477	\$ 6,061,721	\$ 6,178,462	\$ 6,317,159	\$ 6,346,113
B. Cost Plan	(4,446,622)	(4,447,073)	(4,446,622)	(4,446,622)	(4,446,622)
C. Total Expenditures	1,928,855	1,614,648	1,731,840	1,870,537	1,899,491
D. Revenue	400,000	514,072	400,000	400,000	400,000
E. Financing Need, C-D	1,528,855	1,100,576	1,331,840	1,470,537	1,499,491
F. Preliminary GFC	1,528,855	1,528,855	1,534,425	1,534,425	1,534,425
G. Surplus/(Deficit), F-E	\$ -	\$ 428,279	\$ 202,585	\$ 63,888	\$ 34,934

County Counsel - County Counsel estimates it will end the current fiscal year with \$1.6 million in expenditures, cost plan credits of \$4.5 million, revenue of \$514,072, and a GFC of \$1.5 million resulting in a surplus of \$428,279. The estimated surplus is due to salary savings from several vacant and underfilled positions. In additions the estimated surplus in the current year estimate and forecast years are due to increased revenue from direct bill clients.

Department of Emergency Management	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 4,111,331	\$ 3,432,189	\$ 3,058,533	\$ 3,148,790	\$ 3,208,608
B. Cost Plan	801,639	801,879	801,879	801,879	801,879
C. Total Expenditures	4,912,970	4,234,068	3,860,412	3,950,669	4,010,487
D. Revenue	480,452	1,738,306	639,452	639,452	639,452
E. Financing Need, C-D	4,432,518	2,495,762	3,220,960	3,311,217	3,371,035
F. Preliminary GFC	4,432,518	4,432,518	3,156,759	3,156,759	3,156,759
G. Surplus/(Deficit), F-E	\$ -	\$ 1,936,756	\$ (64,201)	\$ (154,458)	\$ (214,276)

Department of Emergency Management – The Department of Emergency Management (DEM) estimates year-end expenditures of \$4.2 million, revenues of \$1.7 million and \$4.4 million in GFC, resulting in a year-end surplus of \$1.9 million. The estimated surplus is a result of salary and benefits savings due to vacant positions and delays in several contract executions. The Department is continuing recruitment efforts and will be filling several limited term grant funded positions. DEM's surplus consists of an overage of \$487,500 from an Advance Funding Agreement. DEM received of \$1,187,500 to fund repairs of the San Ardo Water District wastewater treatment facility damaged in the 2023 winter storms. As of now, the planned expense for the advance is \$700,000 due to the current obligated FEMA project cost.

The department will continue to monitor the year end estimates as unknown expenses continue to arise from prior year storms and the potential for future unknown disaster events may occur. In forecast years, the projected expenses increase due to estimated step advances, negotiated salary increases and employee benefits cost.

District Attorney	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$34,900,337	\$29,700,967	\$34,022,231	\$34,455,901	\$34,806,922
B. Cost Plan	5,331,953	5,334,369	5,334,369	5,334,369	5,334,369
C. Total Expenditures	40,232,290	35,035,336	39,356,600	39,790,270	40,141,291
D. Revenue	18,606,548	15,653,505	17,540,977	17,884,965	18,391,206
E. Financing Need, C-D	21,625,742	19,381,831	21,815,623	21,905,305	21,750,085
F. Preliminary GFC	21,625,742	21,625,742	20,824,107	20,824,107	20,824,107
G. Surplus/(Deficit), F-E	\$ -	\$ 2,243,911	\$ (991,516)	\$ (1,081,198)	\$ (925,978)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of \$35.0 million, revenues of \$15.7 million and \$21.6 million in GFC, resulting in a year-end surplus of \$2.2 million. Revenues are down \$2.9 million due to delays in settlements of cases in the Civil Unit, decreased Prison Unit billings and decreased sales tax revenues. Expenditures are lower than budgeted levels due to salary savings from vacancies throughout the year. The DA projects deficits in the forecast years primarily due to forecasted salary increases, increasing PERS retirement costs, health insurance premiums and allocated costs such as workers’ compensation insurance.

Elections	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 5,738,180	\$ 5,720,145	\$ 5,914,882	\$ 4,475,903	\$ 4,559,308
B. Cost Plan	839,964	840,374	840,374	840,374	840,374
C. Total Expenditures	6,578,144	6,560,519	6,755,256	5,316,277	5,399,682
D. Revenue	748,710	748,910	1,923,026	805,500	805,500
E. Financing Need, C-D	5,829,434	5,811,609	4,832,230	4,510,777	4,594,182
F. Preliminary GFC	5,829,434	5,829,434	4,130,532	4,130,532	4,130,532
G. Surplus/(Deficit), F-E	\$ -	\$ 17,825	\$ (701,698)	\$ (380,245)	\$ (463,650)

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 in a given year. The Department expects to end the current year with expenditures of \$6.6 million, revenue of \$748,910, and a GFC of \$5.8 million, resulting in a surplus of \$17,825.

Projected expenditures and revenues in forecast years reflect estimated charges for one scheduled election per fiscal year: a Presidential General Election in FY 2024-25, a statewide primary in FY 2025-26, and a statewide general election in FY 2026-27. 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. The Presidential General Election will cause higher services and supplies next fiscal year (including ballot printing, mailing and seasonal staffing), but revenue will also increase due to reimbursement of election costs from a higher number of billable jurisdictions. The Department expects a deficit of \$701,698 for FY 2024-25, and smaller deficits in the two out years as expenses decrease for smaller statewide elections in those years.

Health	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 133,146,583	\$ 123,427,071	\$ 125,056,298	\$ 125,804,895	\$ 125,558,197
B. Cost Plan	9,921,261	9,154,938	8,438,265	8,438,265	8,438,265
C. Total Expenditures	143,067,844	132,582,009	133,494,563	134,243,160	133,996,462
D. Revenue	119,057,555	105,209,709	108,390,394	110,688,418	111,027,967
E. Financing Need, C-D	24,010,289	27,372,300	25,104,169	23,554,742	22,968,495
F. Preliminary GFC	24,010,289	24,010,289	17,793,618	17,793,618	17,793,618
G. Surplus/(Deficit), F-E	\$ -	\$ (3,362,011)	\$ (7,310,551)	\$ (5,761,124)	\$ (5,174,877)

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 \$132.6 million, revenues of \$105.2 million, and a financing need of \$27.3 million.

Year-end expenditures are estimated at \$10.4 million lower than budgeted primarily due to salary and benefits savings of \$3.9 million resulting from a vacancy rate of approximately 24% as the Department continues to struggle to find qualified staff across all bureaus, but particularly in the Primary Care Clinics and in the Public Health Bureau, and savings of \$6.5 million in services and supplies, other charges and fixed assets attributable to lower levels of services to the public than planned. Overall, the majority of savings are in the categories of professional services, which will not be required due to the lower than planned staffing. The total estimated expenditures include a liability payment to the State totaling \$5.1 million from budgeted restricted fund. 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. At the time the budget was developed the reimbursement to the State was estimated at \$3.7 million and was budgeted accordingly. However, the State has caught up on settlements and the actual amounts paid total \$5.1 million, which will require an additional \$1.4 million to be drawn from the restricted fund. Revenue is projected to end the year \$13.8 million below budget. The high vacancy rate impacted the level of services provided, therefore decreasing revenue.

Although the table depicts the Department ending the current fiscal year with a \$3.4 million deficit, the gap will be closed with a combination of fee for service revenue from new clinic sites to open in the spring, expenditure adjustments, and additional restricted funds draw to cover the eligible costs. The Department projects ending within the allocated General Fund Contribution in the current year. The projected deficits in the forecast years are clerical in nature, as use of restricted funds was not included. The Department will submit annual budgets in compliance with the allocated General Fund Contribution.

Housing & Community Development	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$17,849,377	\$16,074,182	\$18,505,739	\$18,803,941	\$19,237,133
B. Cost Plan	1,927,663	1,929,312	1,928,863	1,928,863	1,928,863
C. Total Expenditures	19,777,040	18,003,494	20,434,602	20,732,804	21,165,996
D. Revenue	10,208,611	8,870,015	10,245,076	10,300,964	10,489,177
E. Financing Need, C-D	9,568,429	9,133,479	10,189,526	10,431,840	10,676,819
F. Preliminary GFC	9,568,429	9,568,429	9,545,293	9,545,293	9,545,293
G. Surplus/(Deficit), F-E	\$ -	\$ 434,950	\$ (644,233)	\$ (886,547)	\$ (1,131,526)

Housing and Community Development - The FY2023-24 year-end estimate for Housing and Community Development (HCD) consists of \$18.0 million in expenditures, revenues of \$8.9 million and a general fund contribution of \$9.6 million resulting in an estimated surplus of \$435,950. The surplus is attributed to salary and benefit savings due to vacancies. The Department is working to fill vacant positions to provide a higher level of service to the constituents of Monterey County. HCD continues to utilize outside consultants to process a limited number of Planning and Building applications. The Department continues to forecast revenues conservatively even though the non-discretionary costs continue to rise.

Human Resources	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 7,159,211	\$ 6,566,691	\$ 7,334,746	\$ 7,454,628	\$ 7,637,889
B. Cost Plan	(6,400,929)	(6,401,418)	(6,401,418)	(6,401,418)	(6,401,418)
C. Total Expenditures	758,282	165,273	933,328	1,053,210	1,236,471
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	758,282	165,273	933,328	1,053,210	1,236,471
F. Preliminary GFC	758,282	758,282	873,061	873,061	873,061
G. Surplus/(Deficit), F-E	\$ -	\$ 593,009	\$ (60,267)	\$ (180,149)	\$ (363,410)

Human Resources-The Human Resources Department estimates expenditures of \$6.7 million financed by \$6.4 million in cost plan credits and GFC of \$758,282 resulting in an estimated surplus of \$593,009 for the fiscal year. Estimated savings are primarily due to position vacancies. Conversely, deficits are projected in the forecasted years as a result of rising salary and benefit costs, such as wage increases, position step advances, pension contributions, workers' compensation insurance, and general liability insurance.

Information Technology	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$24,825,950	\$24,825,950	\$ 25,099,542	\$ 25,345,690	\$ 25,665,263
B. Cost Plan	(20,157,907)	(20,157,907)	(20,157,907)	(20,157,907)	(20,157,907)
C. Total Expenditures	4,668,043	4,668,043	4,941,635	5,187,783	5,507,356
D. Revenue	550,000	550,000	550,000	550,000	550,000
E. Financing Need, C-D	4,118,043	4,118,043	4,391,635	4,637,783	4,957,356
F. Preliminary GFC	4,118,043	4,118,043	4,126,133	4,126,133	4,126,133
G. Surplus/(Deficit), F-E	\$ -	\$ -	\$ (265,502)	\$ (511,650)	\$ (831,223)

Information Technology – The Information Technology Department estimates year-end operational expenditures of \$24.8 million and revenue of \$550,000. The Department recovers its operational expenditures through direct charges to departments as well as the cost plan which in current year reflects a credit in the amount of \$20.2 million. Combined expenditure and income results in an estimated debit to the general fund of \$4.1 million, with no overrun of GFC. Future forecast figures include an increase in operational expenses mostly due to salary and benefit costs, which reflect a corresponding deficit increase in GFC.

Probation	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$64,912,590	\$64,610,844	\$66,386,104	\$67,785,994	\$69,179,725
B. Cost Plan	3,884,126	3,884,126	3,884,126	3,884,126	3,884,126
C. Total Expenditures	68,796,716	68,494,970	70,270,230	71,670,120	73,063,851
D. Revenue	41,497,459	41,233,642	39,520,911	39,600,063	39,799,475
E. Financing Need, C-D	27,299,257	27,261,328	30,749,319	32,070,057	33,264,376
F. Preliminary GFC	27,299,257	27,299,257	27,328,332	27,328,332	27,328,332
G. Surplus/(Deficit), F-E	\$ -	\$ 37,929	\$ (3,420,987)	\$ (4,741,725)	\$ (5,936,044)

Probation – The Department projects year-end expenditures of \$68.5 million, revenues of \$41.2 million and a GFC of \$27.3 million. The estimated nominal surplus of \$37,929 is primarily due to salary savings from vacancies. The estimate reflects a decrease in budgeted revenues and expenditures of \$263,817 and \$301,746, respectively. The decrease in revenues is due to lower Prop 172 funding from the State and reduced reimbursements from a local service program. The lower expenditures are due to vacancies and reduced claimable activities for the aforementioned local program. The forecast years reflect deficits ranging from \$3.4 to \$5.9 million. The deficits are driven by flat revenue projections and estimated cost increases to salaries and benefits from negotiated bargaining agreements and higher pension contribution costs.

Public Defender	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$16,489,774	\$16,489,774	\$17,089,954	\$17,366,957	\$17,726,942
B. Cosst Plan	1,456,749	1,456,749	1,456,749	1,456,749	1,456,749
C. Total Expenditures	17,946,523	17,946,523	18,546,703	18,823,706	19,183,691
D. Revenue	2,383,258	2,411,481	2,383,258	2,383,258	2,383,258
E. Financing Need, C-D	15,563,265	15,535,042	16,163,445	16,440,448	16,800,433
F. Preliminary GFC	15,563,265	15,563,265	15,299,282	15,299,282	15,299,282
G. Surplus/(Deficit), F-E	\$ -	\$ 28,223	\$ (864,163)	\$ (1,141,166)	\$ (1,501,151)

Public Defender - The Public Defender's Office estimates year-end expenditures of \$17.9 million, revenue of \$2.4 million, and a GFC of \$15.6 million, resulting in a nominal surplus of \$28,223. The surplus is primarily due to a small increase in revenues from the final close out of a multi-year State funded grant that offset development costs for a case management enhancement for indigent defense.

The Department projects deficits in the forecasted years due to increases in non-discretionary costs and a GFC decrease associated with one-time revenues. Non-discretionary cost increases include higher salaries and benefits from negotiated labor agreements, pension contributions, and health insurance premiums. Future revenue and expenditures will continue to vary depending on trial-related

costs and associated service agreements that maintain Department operations. The Public Defender will continue to monitor these impacts, adjust as needed to minimize their effect, and pursue grant funding opportunities to offset increased costs.

Public Works, Facilities, & Parks	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 28,490,245	\$ 33,291,061	\$ 30,241,387	\$ 31,043,219	\$ 31,698,283
B. Cost Plan	(10,653,438)	(10,653,262)	(10,653,260)	(10,653,260)	(10,653,260)
C. Total Expenditures	17,836,807	22,637,799	19,588,127	20,389,959	21,045,023
D. Revenue	3,969,920	6,949,704	3,548,924	3,688,327	3,841,706
E. Financing Need, C-D	13,866,887	15,688,095	16,039,203	16,701,632	17,203,317
F. Preliminary GFC	13,866,887	13,866,887	11,892,202	11,892,202	11,892,202
G. Surplus/(Deficit), F-E	\$ -	\$ (1,821,208)	\$ (4,147,001)	\$ (4,809,430)	\$ (5,311,115)

Public Works, Facilities, and Parks - Public Works, Facilities, and Parks (PWFP) - The FY 2023-24 current year estimate projects expenditures of \$22.6 million, revenues of \$6.9 million and general fund contribution of \$15.7 million, for a net estimated deficit of \$1.8 million. The estimate reflects an increase in budgeted expenditures and revenues of \$4.8 million and \$3.0 million, respectively.

The increase in expenditures is due to the December 2022 and March 2023 winter storm projects which were approved by the Board in the FY 2022-23 budget year but were not completed that year and carried into FY 2023-24, were not included in the adopted budget. Along with these projects, the Board approved the utilization of strategic reserve funds to complete the projects pending federal, state, or other reimbursements. PWFP has requested the strategic reserve funds which were not used in FY 2022-23 are carried over to FY 2023-24, which will resolve the deficit if the carryover request is approved by the Board.

The increase in revenue in the current year estimate is primarily from insurance proceeds for the storm related projects of \$2.5 million and an increase in park visitors at Lake San Antonio due to water levels of \$0.5 million.

The forecasted deficits in outlying years are related to nondiscretionary cost increases, such as salaries, pension contributions, general liability, and property insurance premiums. The decline in revenues is related to a one-time insurance proceeds related to the storm projects. Other fluctuations from FY 2023-24 to the out years are from adjustments to the General Fund Contribution (GFC) for one-time allocations for facility unscheduled maintenance, utilities for shared facilities.

Sheriff	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$140,965,379	\$140,957,084	\$149,785,604	\$155,588,236	\$161,289,766
B. Cost Plan	10,401,107	10,409,400	11,073,631	11,073,631	11,073,631
C. Total Expenditures	151,366,486	151,366,484	160,859,235	166,661,867	172,363,397
D. Revenue	50,105,339	49,406,141	49,758,904	49,758,904	49,758,904
E. Financing Need, C-D	101,261,147	101,960,343	111,100,331	116,902,963	122,604,493
F. Preliminary GFC	101,261,147	101,261,147	98,413,466	98,413,466	98,413,466
G. Surplus/(Deficit), F-E	\$ -	\$ (699,196)	\$ (12,686,865)	\$ (18,489,497)	\$ (24,191,027)

Sheriff-Coroner – The Sheriff’s Office projects year-end expenditures of \$151.4 million, revenues of \$49.4 million, and a GFC of \$101.3 million, resulting in a deficit estimated at \$699,196 attributable to a decrease in Prop 172 revenues. Pending Board approval, the department anticipates accepting approximately \$1.1 million in additional revenues not accounted for in the estimate for CalAIM, AB109 and an officer wellness grant. New revenues obtained and correlating expenditures will be reflected in the Sheriff’s Requested Budget for Fiscal Year 2024-25. The Sheriff’s Office will continue to seek new funding opportunities to offset increased costs and implement controls in spending to meet a balanced budget at year-end.

The Sheriff’s Office projects growing deficits in forecast years increasing to \$24.2 million in FY 2026-27 due to significant increases in inmate medical costs, salary and benefits from negotiated bargaining agreements, fleet, general liability and workers compensation insurance in the next three years.

Cooperative Extension	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$ 496,720	\$ 485,145	\$ 520,990	\$ 535,174	\$ 547,826
B. Cost Plan	(2,826)	(2,862)	(2,826)	(2,826)	(2,826)
C. Total Expenditures	493,894	482,283	518,164	532,348	545,000
D. Revenue	26,463	15,038	20,814	20,851	20,895
E. Financing Need, C-D	467,431	467,245	497,350	511,497	524,105
F. Preliminary GFC	467,431	467,431	453,513	453,513	453,513
G. Surplus/(Deficit), F-E	\$ -	\$ 186	\$ (43,837)	\$ (57,984)	\$ (70,592)

Social Services – The Department of Social Services (DSS) estimates year-end expenditures of \$266.7 million, revenues of \$238.6 million and GFC of \$28.1 million, resulting in a deficit of approximately \$868,112.

Year-end expenditures are estimated at \$4.8 million higher than budgeted due to an increased in caseload in the CalWORKS program and Emergency Rental Assistance program and for disaster recovery efforts predominantly funded by the American Rescue Plan Act. DSS will see salary and benefit savings (\$4.1 million) due to vacancies and savings in the Family and Children Services’ Wraparound program due to a processing change, offsetting some of the increased expenditures. DSS also experienced a higher level of expenditures related to the March 2023 Disaster Rains.

Year-end revenues are estimated at \$3.9 million higher than budgeted primarily driven by the reimbursements from the State related to the increased CalWORKS caseload.

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, and these estimates may change before year-end closing. Expenditures in the forecast years are estimated to increase at a higher rate than revenues, leading to forecasted deficits. Forecast year 1 will utilize one-time Realignment fund balance to close the deficit gap. However, no Realignment growth is estimated, nor are there any one-time solutions planned to cover the projected deficits in Forecast years 2 and 3 at this time.

Treasurer- Tax Collector	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Operational Expenditures	\$10,214,557	\$ 9,101,560	\$ 9,042,484	\$ 9,325,954	\$ 9,509,061
B. Cost Plan	(155,612)	(155,612)	(155,612)	(155,612)	(155,612)
C. Total Expenditures	10,058,945	8,945,948	8,886,872	9,170,342	9,353,449
D. Revenue	8,144,936	7,718,134	7,068,650	7,208,095	7,323,238
E. Financing Need, C-D	1,914,009	1,227,814	1,818,222	1,962,247	2,030,211
F. Preliminary GFC	1,914,009	1,914,009	1,954,716	1,954,716	1,954,716
G. Surplus/(Deficit), F-E	\$ -	\$ 686,195	\$ 136,494	\$ (7,531)	\$ (75,495)

Treasurer-Tax Collector - The Treasurer-Tax Collector (TTC) projects year-end expenditures of \$8.9 million, revenue of \$7.7 million, and a general fund contribution (GFC) of \$1.9 million, resulting in an estimated surplus of \$686,195. This surplus is largely due to estimated expenditures being under budget by \$1.1 million, primarily from lower salary and benefit expenditures resulting from vacancies and delayed recruitments as well as having renegotiated vendor contracts with multiple vendors in order to reduce costs. However, these savings were partially offset by new expenses due to recent labor union agreements, and employee leave payouts. Revenue is projected to be \$426,802 below budget largely due to lower levels of reimbursable expenditures in the TTC's Revenue and Treasury Divisions. In addition, the repeal of various administrative fees by Assembly Bills 177 and 199 continues to negatively impact previously collectible revenue sources.

Estimated expenditures in forecasted years include negotiated cost of living increases, earned step increases, increases in service agreement expenditures, and countywide increases for healthcare insurance, PERS Retirement, property insurance, and other internal service charges. Forecasted revenue assumes allowable cost recovery based on estimated expenditures for the Revenue Division, 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 by State law to account for revenues legally restricted revenues for the County's road and bridge projects and related maintenance. The Road Fund's primary funding sources 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 \$9.0 million and \$10.0 million, respectively.

Fund 002 Road Fund	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 30,858,217	\$ 30,858,217	\$ 20,834,874	\$ 8,880,416	\$ (2,013,443)
B. Revenue	61,572,791	59,654,741	74,355,650	76,473,570	68,060,679
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	92,431,008	90,512,958	95,190,524	85,353,986	66,047,236
E. Expenditures	78,446,989	69,678,084	86,310,108	87,367,429	77,192,478
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	78,446,989	69,678,084	86,310,108	87,367,429	77,192,478
H. Ending Fund Balance, D-G	\$ 13,984,019	\$ 20,834,874	\$ 8,880,416	\$ (2,013,443)	\$ (11,145,242)

The FY 2023-24 revenue estimate is \$1.9 million less than budget due to delays in construction of Laureles Grade Road at Carmel Valley Road Roundabout funded by Traffic Impact Fees and one scheduled Palo Colorado project that was unfunded. Forecasted revenues for FY 2024-25 and 2025-26 are projected to increase by \$14.7 million and \$2.1 million, respectively. Contributing to the increase are the Safe Routes to Schools projects in Castroville, Chualar and San Ardo which will bring in new Active Transportation Program funds and an increase in Transient Occupancy Tax allocation. FY 2026-27 revenues are projected to decrease by \$8.4 million as federally funded projects are anticipated to be completed.

Estimated expenditures are \$8.8 million under budget as several large project's construction phases were deferred until FY 2024-25; including Laureles Grade Road at Carmel Valley Road Roundabout, Alisal Road Rehabilitation Salinas to Hartnell Rd, and Las Lomas Drive Bicycle Lane and Pedestrian projects. Variances between the current year budget and the three-year estimates are due to changes in project timelines brought on by weather, natural disaster events like fires and winter storms, permit delays and staffing shortages. Expenditures in FY 2024-25 are projected to increase by \$16.6 million. FY 2025-26 and 2026-27 expenditures are projected to decrease by \$1.1 and \$10.2 million as federal funded projects are anticipated to be completed.

Fund Balance is projected to decrease in FY2023-24 as work has begun on the Pavement Asset Management Program, to improve the condition of County Service Area roadways. In the 3-year forecast, fund balance continues to be a primary financing source, along with a projected increase in TOT, for the Pavement Asset Management Program, which will drive down fund balance further.

Monterey County Free Libraries – For the current fiscal year end, the Library Department is projecting an addition of \$426,917 to existing Fund Balance. The Department's expenditures are \$62,705 below budget primarily due to salary savings for vacant positions. Other operational expenditures are in line with the adopted budget. Current year revenue is \$130,635 above budget, primarily due to property tax revenues.

Fund 003 Monterey County Free Libraries	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 7,657,326	\$ 7,657,326	\$ 8,084,243	\$ 7,126,791	\$ 7,577,749
B. Revenue	11,644,157	11,774,792	11,910,361	12,245,932	12,591,570
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	19,301,483	19,432,118	19,994,604	19,372,723	20,169,319
E. Expenditures	11,410,580	11,347,875	12,867,813	11,794,974	13,038,010
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	11,410,580	11,347,875	12,867,813	11,794,974	13,038,010
H. Ending Fund Balance, D-G	\$ 7,890,903	\$ 8,084,243	\$ 7,126,791	\$ 7,577,749	\$ 7,131,309

For forecasted period, the Library projects use of fund balance for major capital projects in branch libraries. In FY 2024-25, expenditures are projected to increase \$1.5 million, mostly attributed to Capital Improvement Projects, including Fixtures, Furniture and Equipment (FF&E) for the new Gonzales Library, rehabilitation of the flood damaged Pajaro Library, and anticipation of construction of a new East Garrison Library. A request is also being made for construction funds for a new Bradley Library, and a high priority project is a new library in Seaside. These projects will happen across a wide timeline, so expenses fluctuate over the forecasted period. In addition, the Library Department will purchase a new vehicle in FY 2024-25 and remodel the service desk for the Marina Library. The department anticipates using \$1.0 million in fund balance in FY 2024-25. By the end of the forecast period, fund balance is estimated at \$7.1 million.

Staff continues their commitment to garner grants and philanthropy to support library operations, however the projected California State budget deficit is currently projected to cut support for major library programs, such as online homework help, services to veterans, and resources for job seekers. Staff is currently assessing which programs are critical to continue, the possibility of funding those programs within the operational budget, and working with the Foundation for Monterey County Free Libraries on fundraising strategies.

The Foundation for Monterey County Free Libraries is committed to continue funding ongoing programs such as Homework Centers, Summer Reading Program, and outreach to youth in the community, and they project funding all the Library requests for calendar year 2024. Various Friends of the Library groups continue to support and fundraise on behalf of local branch libraries.

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. All the financial activity for these services is captured in the Behavioral Health Fund (fund 23).

Fund 023 Behavioral Health	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 43,745,224	\$43,745,224	\$ 37,353,287	\$ 31,069,833	\$ 25,556,545
B. Revenue	159,522,461	163,670,677	163,670,677	162,390,343	155,293,315
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	203,267,685	207,415,901	201,023,964	193,460,176	180,849,860
E. Expenditures	166,379,440	170,062,614	169,954,131	167,903,631	161,893,462
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	166,379,440	170,062,614	169,954,131	167,903,631	161,893,462
H. Ending Fund Balance, D-G	\$ 36,888,245	\$37,353,287	\$ 31,069,833	\$ 25,556,545	\$ 18,956,398

For the current fiscal year, expenditures for the Behavioral Health Fund are estimated at \$170.0 million and revenues at \$163.7 million, resulting in an estimated decrease in fund balance of \$6.9 million.

Expenditures are estimated at approximately \$3.7 million above the modified budget of \$166.4 million. The higher expenditures are attributable to the inclusion of the Behavioral Health Bridge Housing grant for \$2.3 million and the Mental Health Rehabilitation Center grant for \$6.7 million. These costs will be offset by \$5.2 million in salary savings due to a higher-than-budgeted vacancy rate.

Revenues are estimated at approximately \$4.1 million above the modified budget of \$159.2 million. The higher revenues are attributable to the inclusion of the Behavioral Health Bridge Housing grant for \$2.3 million, the Mental Health Rehabilitation Center grant for \$6.7 million, and an increase in MHSA revenues for \$3.8 million. These revenues will be offset by a decrease in 2011 Realignment transfers of \$8.7 million.

For the current fiscal year, the bureau estimates year-end expenditures of \$144 million, which is approximately \$13.4 million below the modified budget of \$157.4 million. The lower expenditures are attributable to a higher than budgeted vacancy rate generating \$5.4 million in salary and benefit savings, lower than anticipated operating transfer in the Whole Person Care program for \$2.9 million, and lower than anticipated services and supplies costs of approximately \$5.0 million. Current year-end revenue is estimated at \$139.9 million, which is approximately \$10.4 million below the modified budget of \$150.3 million. The decrease in revenues is attributable to lower Mental Health Services Act (MHSA) revenues of approximately \$6.0 million and lower than anticipated Federal Financial Participation reimbursements of \$4.4 million.

The forecast years depict decreases in expenditures in revenues, as compared to the modified budget, due to the phase-out of the Whole Person Care program, which ended in December 2021 but still had expenditures in FY 2023-24 as well as the expiration of the Bridge Housing and Mental Health Rehabilitation grants. Excluding these significant changes, increases in salaries and benefits, operating costs increases such as insurance costs, and contracted services are also projected to increase. This combined with anticipated impacts to revenue streams in realignment and the Mental Health Services Act projects a significant decrease in fund balance. The Bureau will monitor these impacts as it prepares its FY 2024-25 budget and will adjust as needed to minimize this impact. As

reported in the FY 2022-23 year-end report, the fund balance includes \$8.4 million is 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 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 3,263,903	\$ 3,263,903	\$ 2,732,022	\$ 3,061,022	\$ 3,390,022
B. Revenue	14,188,933	14,182,419	14,360,157	14,720,830	15,141,767
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	17,452,836	17,446,322	17,092,179	17,781,852	18,531,789
E. Expenditures	14,734,982	14,714,300	14,031,157	14,391,830	14,812,767
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	14,734,982	14,714,300	14,031,157	14,391,830	14,812,767
H. Ending Fund Balance, D-G	\$ 2,717,854	\$ 2,732,022	\$ 3,061,022	\$ 3,390,022	\$ 3,719,022

The Department is operating under a special revenue fund and expects to end the current year with expenditures totaling \$14.7 million and revenue totaling \$14.2 million, including a County GFC of \$1.8 million and use of fund balance of approximately \$532,000.

The Department estimates a planned addition to the department's reserve of \$329,000 in the current year. This addition to the reserve was planned through the annual budgeting process and will be set aside for future replacement and upgrades to the Department's equipment, systems, and building. The reserve is not intended to pay for ongoing operating costs. The Department's fund balance is expected to decrease due to a reduction of GFC in the current year resulting from an overcollection of Public Safety Sales Tax funds collected in the fund in the prior year. The Department is also utilizing fund balance generated from prior year's surplus to offset billable costs.

Costs are expected to fall in FY 2024-25 because the current year budget includes one-time expenses and funding for a security fence and dispatch software costs. Costs will rise in the remaining forecast years due to escalating salaries, pension, and health insurance costs, as well as rising costs of service agreements that maintain the operations at the Department. Costs are charged pursuant to the formula in the 9-1-1 Services Agreement which allocates costs to the agencies served through a 3-factor ratio of jurisdictional workload, property value, and population. The Department anticipates continuing to build its reserves through the forecast years using that cost sharing ratio.

Natividad – Natividad is a county enterprise fund, defined as a governmental fund that provides goods and services to the public for a fee, making the entity self-supporting.

Fund 451 Natividad	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 294,500,705	\$ 294,500,705	\$ 312,622,152	\$ 316,727,279	\$ 319,447,011
B. Revenue	412,886,422	428,072,224	454,555,197	466,937,231	479,513,598
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	707,387,127	722,572,929	767,177,349	783,664,510	798,960,609
E. Expenditures	399,347,035	409,950,777	450,450,070	464,217,499	478,468,420
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	399,347,035	409,950,777	450,450,070	464,217,499	478,468,420
H. Ending Fund Balance, D-G	\$ 308,040,092	\$ 312,622,152	\$ 316,727,279	\$ 319,447,011	\$ 320,492,189

Revenue: Net revenue for the current year is expected to be \$4.6 million higher than budget. The expected average daily census was 124.0 while the actual has been 130.3. The higher than anticipated inpatient census has been for trauma services and general (non-Covid) patients. However, patients with Covid continues to be treated but at a significantly lower volume than prior years. The increase in net revenues resulted from an increase in the census and government assistance for higher expenses in providing care.

Operating Expenses: Expenditures in the current year are estimated at \$10.6 million over budget. Labor and supplies expenses are major contributors to increases in expenditures. While higher volume contributed to additional costs, contracted or travel nurses and labor for ancillary services significantly added to labor expenses. Annual wage increases to both union and non-union employees and benefits are factors to labor costs increases. Contracted physicians to provide 24/7 coverage to trauma services also was a factor. The price for supplies also continues to be high as compared to previous years.

Capital Expenditures: The current year and the forecasted years include costs for capital projects. Natividad forecasts to spend on average \$20.0 million annually on capital projects. Proposed projects include Emergency department remodel and upgrade to improve patient flow, upgrade tube system between rehabilitation and medical surgical units, upgrade laboratory tracking system for testing, upgrade alarm fire alarm system, upgrade communication system – phone, replacement of computers on wheels for patient information, and replacement of general medical equipment.

Net Results: NMC projects an increase in net position from operations totaling \$18.1 million over the current and increasing in the forecasted years.

Lake & Resort Operations – The Lake & Resort Operations Fund is an enterprise fund accounting for Lake Nacimiento operations. It is a self-supporting entity, providing goods and services to the public for a fee. The Resort at Lake Nacimiento is managed under an agreement with an external operator, Vista Recreation. The agreement allows for reimbursement of the operator's expenditures in addition to monthly management and annual incentive fees. The County is responsible for capital expenses such as repairs to infrastructure.

Fund 452 Lake & Resort Operations	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 2,681,432	\$ 2,681,432	\$ 3,141,967	\$ 3,482,248	\$ 4,043,856
B. Revenue	3,936,796	4,994,481	4,933,303	5,074,295	5,219,516
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	6,618,228	7,675,913	8,075,270	8,556,543	9,263,372
E. Expenditures	3,686,682	4,533,946	4,593,022	4,512,687	4,658,879
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	3,686,682	4,533,946	4,593,022	4,512,687	4,658,879
H. Ending Fund Balance, D-G	\$ 2,931,546	\$ 3,141,967	\$ 3,482,248	\$ 4,043,856	\$ 4,604,493

Fiscal Year 2022-23 closed with \$2.5 million in Total Net Position, \$0.2 million higher than the year before. Of the total net position rolled over to FY 2023-24, only \$0.8 million is available for unrestricted spending. The other \$0.8 million is set aside as Investment in Capital Assets, while \$0.9 million is restricted, specifically for Zebra/Quagga Mussel Program (\$0.5 million), for Mobile Home rehabilitation use of the 2018 Trailer Fire Insurance Proceeds (\$0.3 million), and for 2023 Winter Storm pending projects (\$0.1 million).

The current year estimate anticipates \$5.0 million of revenues and \$4.5 million of expenditures, for a net gain of \$0.5 million. The revenue estimate is \$1 million or 27% more than the budget, while the expenditure estimate is \$0.8 million or 23% higher than budget. These estimates lead to \$0.2 million gain, therefore higher Net Position. The significant increases in estimates are attributable to increased water levels with 59% current capacity, expecting it to even be higher before Spring due to rains this winter. Except during winter months, business for the rest of the fiscal year is anticipated to be as favorable, if not better. Demand for recreational activities, such as boat rental, day use, lodging, camping at the Lake, have shown significant increases since Spring through Summer 2023, and a similar outcome is anticipated in Spring through Summer 2024. The new boats that were added to the Fleet in April 2023 are also a major contributor to this upward revenue trend. The County has since started receiving 15% of gross revenues from boat rentals, with no related costs for the operator owned fleet.

Revenue forecasts for the next three years – FY 2024-25 through 2026-27 are trending up, even without the annual \$0.5 million operating transfer in from the general fund. The final settlement payment for the Water World Resort liability will be fully settled in June 2024, which will then eliminate the need for a General Fund subsidy.

Expenditure forecasts for the next three years are anticipated to be under control with FY 2024-25 increasing less than \$0.1 million over FY 2023-24, and \$0.1 million more in FY 2026-27. These expenditure forecasts do include planned capital expenditures of \$0.4 million in FY 2024-25. Capital expenditures, that meet the dollar-threshold set per capital asset policy, are to be treated as assets in an Enterprise Fund. Reclassification of the qualified capital expenditures to assets happen at fiscal year-end close. Including them in these forecasts only to fully capture all anticipated expenditures.

Laguna Seca Recreation Area (Laguna Seca) – Laguna Seca is owned by the County and functions as a fee-for-service enterprise. Operations are managed by A&D Narigi Consulting, LLC (A&D). LSRA operations include camping, track rentals, venue rentals, corporate team-building packages, and special events, including local and international gatherings. As an enterprise fund, the fees

collected from its operations are its sole financing source to fully cover its operating costs and asset improvement and replacement needs.

Fund 453 Laguna Seca Recreation Area	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 9,215,695	\$ 9,215,695	\$ 10,417,254	\$ 7,480,000	\$ 4,841,708
B. Revenue	27,031,008	31,159,475	21,051,031	22,097,183	23,195,642
C. Cancellation of Assignments					
D. Total Financing, A+B+C	36,246,703	40,375,170	31,468,285	29,577,183	28,037,350
E. Expenditures	27,293,894	29,957,915	23,988,285	24,735,475	25,674,998
F. Provisions for Assignments					
G. Total Financing Uses, E+F	27,293,894	29,957,915	23,988,285	24,735,475	25,674,998
H. Ending Fund Balance, D-G	\$ 8,952,809	\$ 10,417,255	\$ 7,480,000	\$ 4,841,708	\$ 2,362,352

FY 2023-24 began the year with \$9.2 million total net position, but only \$0.1 million is available for unrestricted spending. The other \$8.3 million is set aside as Investment in Capital Assets, while \$0.8 million is restricted grant money for use in repair of damages related to LSRA Track and Bridge Rehabilitation project. Net Position is understated by \$19.2 million, pending an increase from Capital Asset adjustments to be finalized by the Auditor-Controller's office (ACO) for the Start Finish Bridge and Track Overlay projects completed in FY 2022-23.

Current year estimates anticipate \$31.2 million of revenues and \$30.0 million of expenditures, for a net gain of \$1.2 million Net Position versus budgeted net loss of \$0.3 million. This significant change is a combination of increases in event revenues from Ferrari and a second INDY event, offset by a net increase in related operating expenses and depreciation. The General Fund loan of \$1.7 million for the Bridge and Track, which was to be repaid in full in FY 2023-24, is proposed to be spread out over 5 years. This reduces the operating transfer to General Fund of \$1.7 million to \$0.4 million, adding \$1.3 million in expenditure savings.

The forecasted years' revenues of \$21.1 million in FY 2024-25, with \$1.1 million increases in each subsequent year is on trend with the normal revenue cycle. Revenues are declining from FY 2023-24, due to additional events that fell in FY 2023-24, such as Rennsport Reunion (occurs every 5 years) and INDY that came through twice.

Expenditure forecasts also show a reduction, compared to FY 2023-24 estimates, from \$30.0 million to \$24.0 million with \$1.0 million increases for the next two years. The expenditure forecasts include \$0.4 million annual operating transfer out to repay the General Fund loan, increased depreciation of \$1.7 million from the Bridge and Track, and higher operating costs, including increased management fees of \$1.3 million.

Forecasted revenue are not projected to fully meet expenditures. The forecasted years' bottom-line amounts will reduce Net Position by \$2.9 million, \$2.6 million, and \$2.5 million, respectively. With the Track and Bridge rehabilitation officially completed, and the global pandemic over, Management is looking to continue boosting revenues by bringing in new events, which are not reflected in the

forecast. County team is also working towards effective cost controls with the LSRA management team to achieve a more favorable bottom line.