



BUDGET END OF YEAR REPORT FISCAL YEAR 2013-14

October 29, 2014





The 2014 Monterey County Board of Supervisors (from left to right): Vice-Chair Fernando Armenta (District 1), Dave Potter (District 5), Chair Louis R. Calcagno (District 2), Jane Parker (District 4), Simon Salinas (District 3).

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The General Fund

INTRODUCTION

The County Administrative Office prepares the Budget End of Year Report (BEYR) in order to promote financial transparency and responsible financial oversight. The BEYR offers a comprehensive analytical comparison between the County's final modified budget and year-end results. The BEYR reviews the following items:

- The overall health of the County's finances.
- The major financial developments, issues, and trends shaping County finances.
- The County's management of its budget and forecasting of revenues and expenditures.
- The County's management of cash flow, reserves, and long-term liabilities.

The FY 2013-14 BEYR begins with an intricate review of the County's general fund which includes a broad analysis of countywide performance. It continues with an analysis of individual departmental performances and concludes with an analysis of other major funds under the Board's oversight.

The General Fund

THE GENERAL FUND

The general fund is the County's largest fund, supporting basic governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education and finance and administration. The FY 2013-14 Adopted Budget included \$529.0 in appropriations matched by an equivalent amount of financing. Over the course of the year departments submitted reports increasing appropriations by \$9.7 million, financed primarily by program revenue. Year-end results proved to be favorable with lower than budgeted expenditures and revenues producing a preliminary unassigned balance of \$2.9 million. This preliminary balance takes into account adjusted revenue of \$2.7 million (revenues which at the time of this report could not be verified as received within the 60 day accrual period), as well as prior commitments approved by the Board on September 30, 2014 in anticipation of a favorable fund balance in order to address unforeseen events. More details will be forthcoming in this report.

General Fund	FY 2013-14		
	(a) Adopted Budget	(b) Final Modified Budget	(c) Year-End Actual
Available Financing:			
Fund Balance	\$ -	\$ -	\$ 3.6
Cancellation of Assignments	5.2	5.2	7.2
Revenues	523.8	529.7	525.3
Adjusted Revenue	-	-	(2.7)
Total Financing Sources	529.0	534.9	533.4
Financing Uses:			
Assignments	\$ -	\$ -	\$ 8.2
Prior Board Approved Uses	-	-	14.3
Expenditures	529.0	538.7	508.1
Total Financing Uses	529.0	538.7	530.6
Preliminary Unassigned Fund Balance:	\$ -	(3.8)	\$ 2.9

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

The estimated \$2.9 million unassigned fund balance is based on preliminary revenue and expenditure data as of October 10, 2014. Final results are subject to annual audit and will be published by the Auditor-Controller in the Comprehensive Annual Financial Report (CAFR) later this year.

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Executive Highlights

EXECUTIVE HIGHLIGHTS

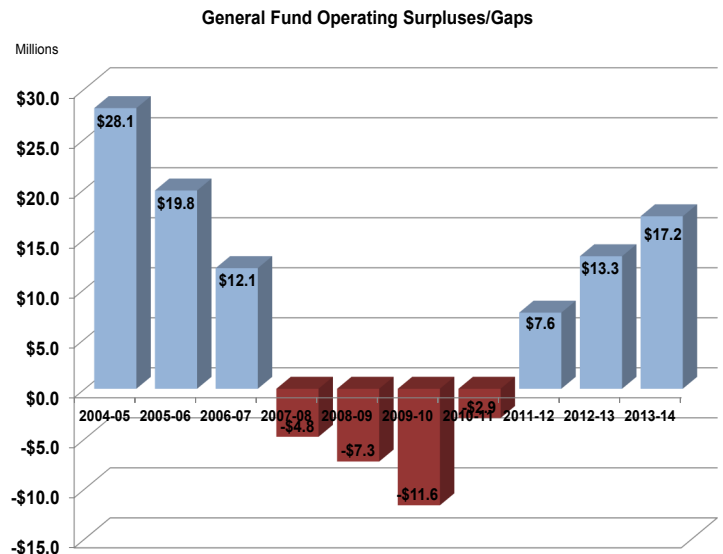
- Final financial results from FY 2012-13 added \$3.6 million in beginning fund balance representing a second year of positive operating surplus since the recession.
- Revenues totaled \$525.3 million and were \$4.4 million below the final modified budget. Non-program (discretionary) revenue exceeded estimates in the budget by \$13.4 million, due to the recovery in property tax revenue, growth in transient occupancy tax receipts, and receipt of tax increment as authorized under the Redevelopment Dissolution Act. The gain in non-program revenue was partially offset by lower than expected program revenue from State and Federal aid.
- Departments continued their efforts to create efficiencies and manage expenditures in an environment of fiscal uncertainty, driving down expenditures to \$508.1 million, a reduction of \$30.6 million below the final modified budget.
- The difference between the \$525.3 million in revenues and \$508.1 million in expenditures is an operating surplus of \$17.2 million, representing the County's third consecutive year of structural balance.
- Seven departments consumed a total of \$4.8 million of the \$4.8 million general fund contingency appropriation, leaving a zero unspent balance.
- Sixteen (16) departments ended the fiscal year with a general fund contribution (GFC) surplus, combining to save the general fund \$12.6 million. The savings was partially offset by 8 departments that cost the general fund \$4.2 million. These totals do not include non-departmental monies, such as improvement in non-program revenues.
- Ending general fund cash balances totaled \$96.1 million, an improvement over prior year ending balances of \$67.8 million in FY 2012-13 and \$57.3 million in FY 2011-12. The improvement in cash balance means the County will not require short-term financing to prevent cash flow shortages in FY 2014-15 and helps preserve a strong credit rating for the County.

Promoting Fiscal Integrity

PROMOTING FISCAL INTEGRITY

With the Board's leadership and vision the County has attained structural balance resulting in a FY 2013-14 general fund operating surplus of \$17.2 million. This marks the third year of operating surplus since the recession. In pre-recession years the County increased staffing levels in order to meet service goals and increased employee compensation and benefits. The County endured the recession by utilizing fund balances to minimize the impact to both services and employees.

The Board through implementation of prudent strategic policies and countywide cost-saving efforts has achieved fiscal integrity by ending the reliance on fund balance for ongoing operations. The journey continues to be a team effort between the Board, departments and all employees contributing toward balancing expenditures and ongoing revenues, meeting service demands, preserving programs and critical services.



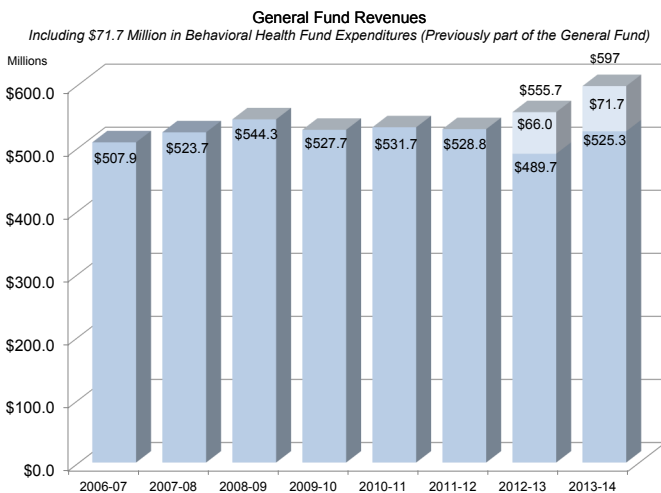
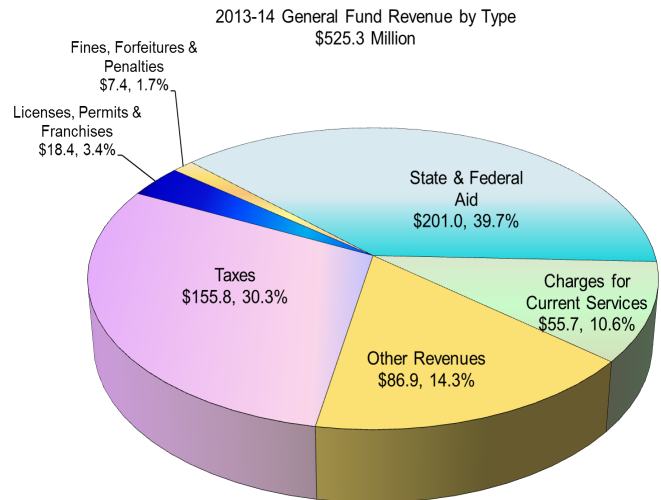
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GENERAL FUND REVENUE

General fund revenue is composed of program and non-program revenue. Program revenue is specifically designated and/or statutorily required for programs, while non-program revenues are the County's discretionary funds, critical in addressing local priorities, providing matching funds to leverage Federal and State monies and to meet maintenance of effort requirements.

FY 2013-14 year-end revenues totaled \$525.3 million, increasing by \$35.6 million or 7% from the previous year and \$4.4 million below the final modified budget. The increase in revenue compared to the prior year can be attributed to growth in non-program revenue (discussed later) and increased operating transfers into general fund for realigned programs. Program revenue ended the year-end at \$17.8 million below the final modified budget of \$339.2 million, mostly due to less than estimated State and Federal aid revenue.

transient occupancy tax. A significant portion of revenues fall under the "Other Revenues" category. The majority of these revenues are transfers from other funds in support of departmental operations. The remaining source making up the remainder of revenue include charges for services, licenses, permits, franchises, fines, forfeitures and penalties.

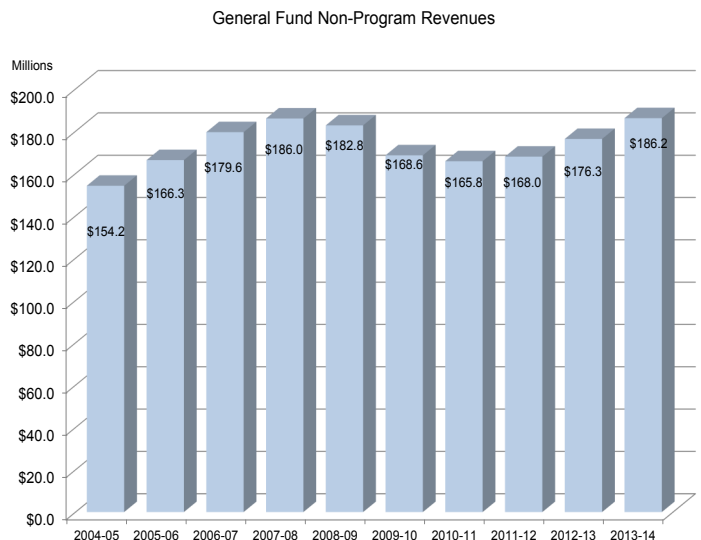


NON-PROGRAM REVENUE

Non-program revenue grew by \$9.8 million in FY 2013-14 to a year-end total of \$186.2 million. The last time non-program revenue breached the \$186 million level was six years ago (FY 2007-08), the final fiscal year prior to the onset of the recession.

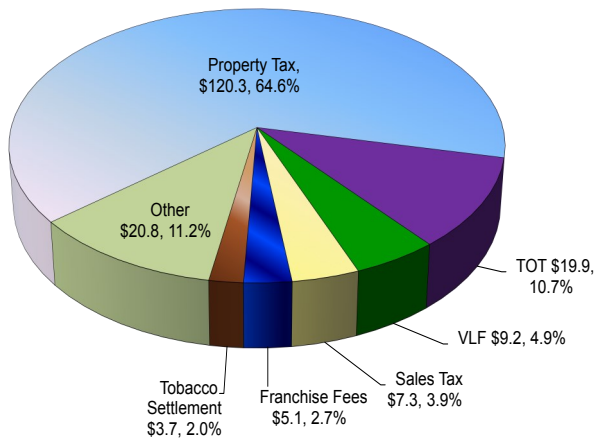
GENERAL FUND REVENUE SOURCES

General fund revenue sources primarily consist of State and Federal aid, taxes, and various charges, fines, fees, and reimbursements. State and Federal aid account for 39.7% or \$201.1 million of the general fund revenue. Historically the State has provided the largest portion of revenues (over 50%) either directly or as federal pass through funds. In FY 2012-13, \$66.0 million was transferred to the new behavioral health fund as part of the realignment of State responsibilities to county government. The State and Federal aid remaining in the general fund supports mandated public assistance and health programs. The second largest component of general fund revenue is taxes at 30.3% or \$155.8 million. Revenue from taxes include property tax, sales tax, and



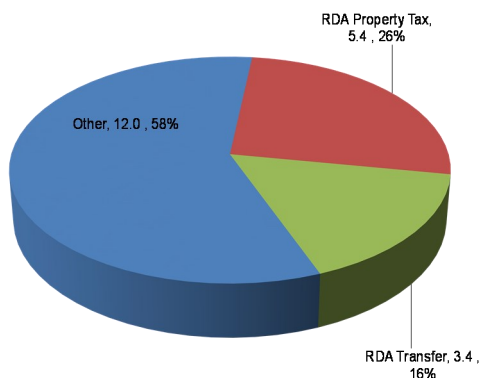
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2013-14 Non-Program Revenue by Source
\$186.2 million



The largest source of increased revenue compared to the prior year was property taxes, which grew \$3.9 million and reflects the continued improvement in the housing market and local housing values. In addition to the \$3.9 million, the County is receiving new revenues as a result of the dissolution of redevelopment agencies (RDAs). Governor Brown signed the Redevelopment Dissolution Act as a way to provide more revenue to local governments in the long-term while helping the State with its own budget challenges in the short-term. The effect was a redistribution of tax increment and related fund balances away from the former RDAs to the taxing entities (i.e., counties, cities, and districts). For the County of Monterey, this resulted in transfers of fund balances to the County's general fund in the amount of \$3.0 million in FY 2012-13 and \$3.4 million in FY 2013-14. These transfers were one-time events. In addition, the County received additional tax increment from the dissolved RDAs in the amount of \$5.4 million, an increase of \$1.4 million over FY 2012-13.

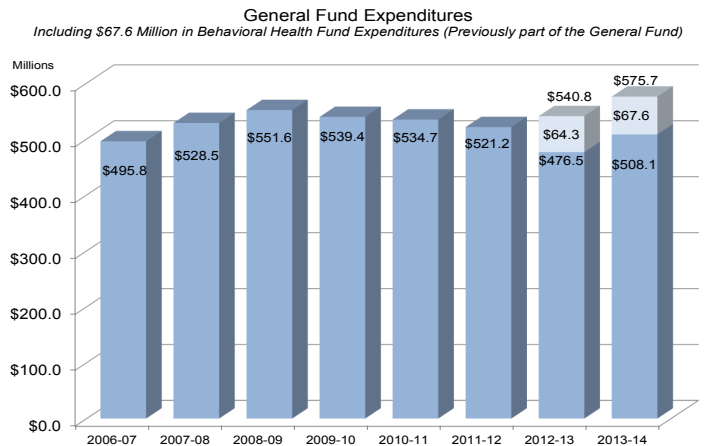
2013-14 Non-Program
\$20.8 million



As the economy continues to recover, the County is also experiencing favorable results with regard to its transient occupancy tax (TOT) and sales and use tax revenues. Revenue from TOT grew \$1.9 million to a total of \$19.9 million, while sales and use tax revenue increased by \$0.9 million. Meanwhile, revenues from the tobacco settlement declined \$1.9 million to \$3.7 million. This source of revenue benefited from a one-time additional settlement payment in FY 2012-13. Since then, tobacco settlement monies have returned to historic levels.

GENERAL FUND EXPENDITURES

FY 2013-14 general fund expenditures totaled \$508.1 million. When combined with the new behavioral health fund (monies budgeted in the general fund prior to FY 2012-13), expenditures total \$575.7 million, an increase of \$34.9 million over the prior year. The increase is centered on the realigned health and social services programs and supported by the additional revenues addressed earlier.



The FY 2013-14 final modified budget appropriated \$538.7 million in general fund expenditures. Departments continued their cost saving efforts, reducing expenditures \$30.6 million below budget. Major areas of expenditure savings include:

- Social and Employment Services had \$11.3 million savings due to unfilled vacancies, project delays for CalWORKs Employment Services Family Stabilization and Subsidized Employment Programs, and CalWORKs entitlements.
- The Health Department had \$6.3 million in salary savings and savings from increased efficiencies and other cost saving measures.
- Elections had \$1.1 million in savings due to only one

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third of districts having eligible measures or candidates on the November 2013 ballot.

- The Resource Management Agency had \$3.2 million in savings from the following:
 - ◆ \$758,000 in savings related to Pfeiffer Ridge fire.
 - ◆ \$1.8 million unused Vehicle Replacement Program monies.
 - ◆ \$680,000 from salary savings from unfilled vacancies.
- Emergency Communications had \$1.7 million in savings related to the previously reported delays in the NGEN Project, as well as supplemental collections from other agencies to fund future capital projects.

Details about these savings, including department-by-department analysis, are provided later in this report.

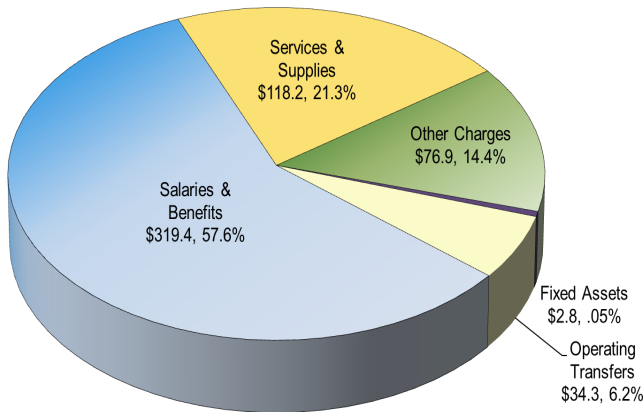
eral Liability, PERS retirement, employee health insurance and building replacement.

FY 2013-14 services and supplies costs totaled \$118.2 million, \$16 million lower than budgeted. Departments expended less on professional services, maintenance, supplies and other needs. Other Charges, much of which contains Federal and State aid payments for social services recipients, also fell \$3.6 million below the final modified budget due to lower than anticipated caseloads.

Salaries & benefits were rising at an average of \$23.8 million annually prior to the recession. As the recession began, salaries and benefits costs flattened. Increases for step advances and higher costs associated with employee health insurance and workers compensation were offset by reductions in the workforce (mostly vacancies) and agreements with employee organizations to share in the cost of employee retirement benefits.

FY 2013-14 salary and benefits expenditures resume their growth as a result of employee health insurance costs, position growth, particularly in areas supported by increased Federal and State revenues and new grants.

2013-14 General Fund Expenditures

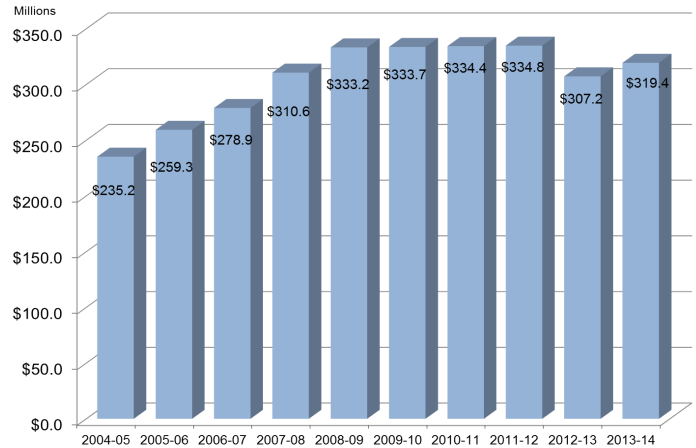


Excludes \$446.4 million in interfund & intrafund transfers (reimbursements from other departments that offset expenditures.)

COMPONENTS OF GENERAL FUND EXPENDITURES

Major components of general fund expenditures are depicted in the chart above. The cost of staffing the County's multiplicity of services, programs and functions accounts for 57.6% of general fund expenditures. Year-end salaries and benefits totaled \$319.4 million, \$21.2 million (6.2%) below the budget amount of \$340.6 million. With revenue growth remaining uncertain, departments continue to manage vacancies in order to respond to changing program requirements, realignment, and cost drivers such as Gen-

Salary & Benefits Expenditures

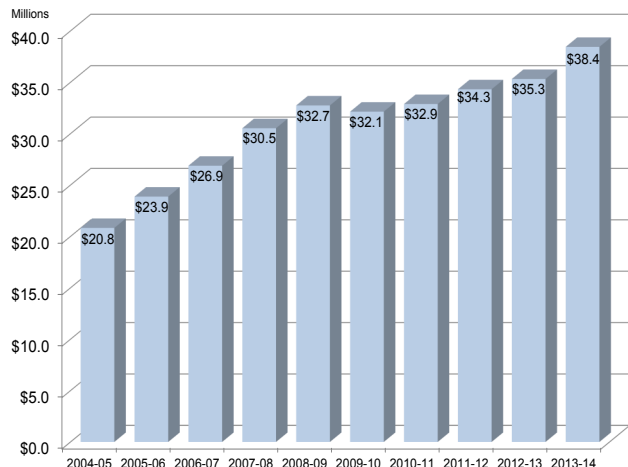


EMPLOYEE HEALTH INSURANCE COSTS

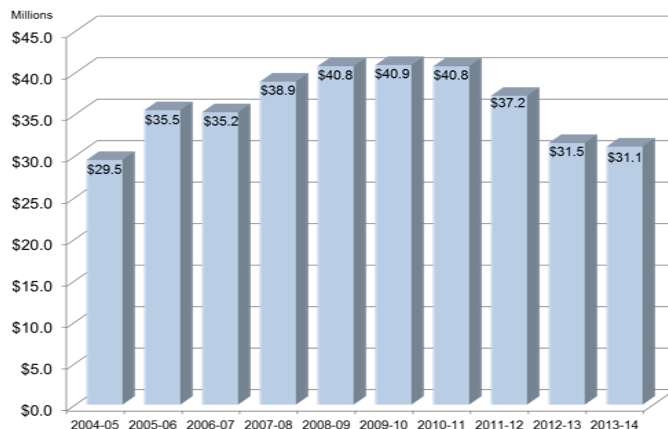
Employee health insurance cost continued to be a significant cost pressure for the County. In FY 2013-14, the cost for employee health insurance rose to \$38.4 million, a \$3.1 million (8.8%) increase from the previous year. It is important to note that costs would have been much higher had departments filled all vacant positions. Costs are expected to continue rising. Using a 6.4% annual growth rate (the 2004-2014 average), general fund health care costs are expected to rise an excess of \$ 2.0 million annually.

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Employee Health Insurance Expenditures



PERS Retirement Expenditures



PERS RETIREMENT COSTS

Monterey County contracts with the California Public Employees Retirement System (CalPERS) to provide defined retirement, disability, and death benefits for eligible employees. To support the plans, the County contributes to CalPERS an actuarially determined percentage of each payroll including an employer share and employee share. Prior to 2011, the majority of bargaining agreements had provisions for the County to “pick up” the member’s share. As department budgets were squeezed by both declining revenues and rising costs, and were faced with layoffs County employees in the miscellaneous plan agreed to pay a larger portion of the employee contribution. Currently miscellaneous plan members contribute the complete 7.0% (of salary) contributions. These agreements, combined with previous years' staffing reductions (achieved through attrition) and departmental efforts to manage vacancies have reduced the County’s PERS payments to \$31.1 million as seen in the chart that follows.

The Public Employees' Pension Reform Act (PEPRA) of 2013 changes the terms of the pension plans for many public sector agencies such as the County. It sets new retirement formulas that apply to employees who became members on or after January 1, 2013. PEPRA in combination with employee costs sharing agreements allowed some control over costs, however, CalPERS has adopted changes to its actuarial assumptions in an effort to ramp up retirement contributions to pay down large unfunded liabilities. The change includes the lowering of the discount rate (i.e. assumed rate of return) and new assumptions related to mortality (i.e. increased life expectancy). Based on the latest CalPERS actuarial of October 2014, Monterey County’s unfunded liability for employees in the miscellaneous plan is \$258.6 million and for employees in the safety plan \$147.2 million, for a total unfunded liability of \$405.8 million.

The County’s unfunded pension liability combined with CalPERS recently adopted changes in actuarial assumptions will significantly increase the County’s retirement contributions. CalPERS has already published rate increases that will significantly increase contributions be-

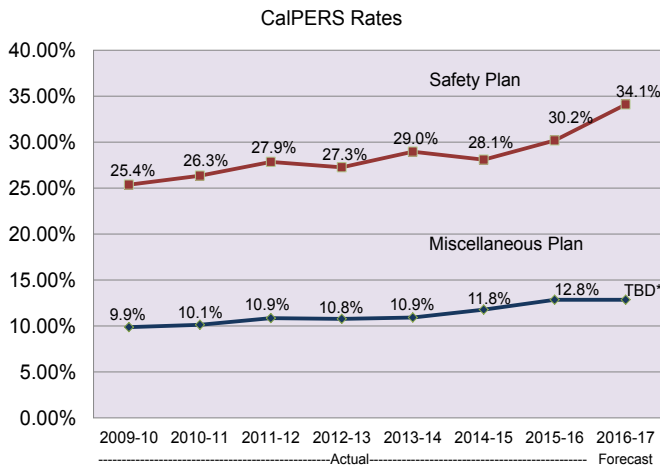
Differences between the BEYR and the Comprehensive Annual Financial Report (CAFR)

The BEYR provides timely analysis of year-end fiscal results, understanding that the financial data is subject to revision over the next several months. For example, revenues earned in the fiscal year that have not been received by June 30th, the last day of the fiscal year, may be accrued by departments to assure year-end balance. Current policy allows an additional 60 days, through August 31th, to collect those revenues. Accrued revenue that is not received before the end of August must be recognized in the new fiscal year even if it was earned in the year just ended.

The BEYR is prepared based on *pre-audited* year-end financial data, in order to quickly analyze and summarize the County’s overall year-end fiscal position. Meanwhile, the Auditor-Controller’s office works with departments to reconcile actual final expenses and revenue received within the accrual period, and make various audit adjustments as necessary. The annual CAFR, typically published in December or January of each year, will provide a final audited accounting of the County’s revenue, expenditures, and fund balances.

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gining in the current year (FY 2014-15). Safety rates will increase from 29.0% of salary in FY 2013-14 to 34.1% by FY 2016-17. Miscellaneous rates will increase from 10.9% of salary in FY 2013-14 to 12.8% in FY 2015-16 (no rates have been published yet for FY 2016-17). The result is increases of \$2.0 million and \$4.1 million in FY 2014-15 and FY 2015-16, respectively.



* The October 2014 CalPERS actuarial analysis does not provide a forecasted rate for 2016-17 for miscellaneous members.

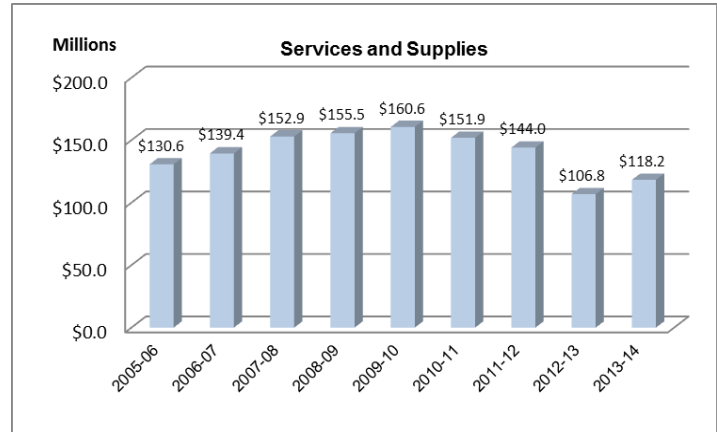
Impact of CalPERS Rate Increases

	FY 2014-15	FY 2015-16	FY 2016-17
Miscellaneous	\$2,415,852	\$3,041,132	TBD*
Safety	<u>(\$450,839)</u>	<u>\$1,084,198</u>	<u>\$2,038,396</u>
	\$1,965,013	\$4,125,329	\$2,038,396

* Based on CalPERS' reported changes in rates and calculated payrolls as published in their October 2014 actuarials. Estimates are independent of salary increases or staffing level changes. Rates for 2014-15 and 2015-16 are final. The 2016-17 rate for safety employees is based on CalPERS' estimate; CalPERS did not provide a 2016-17 estimated rate for miscellaneous employees.

SERVICES AND SUPPLIES

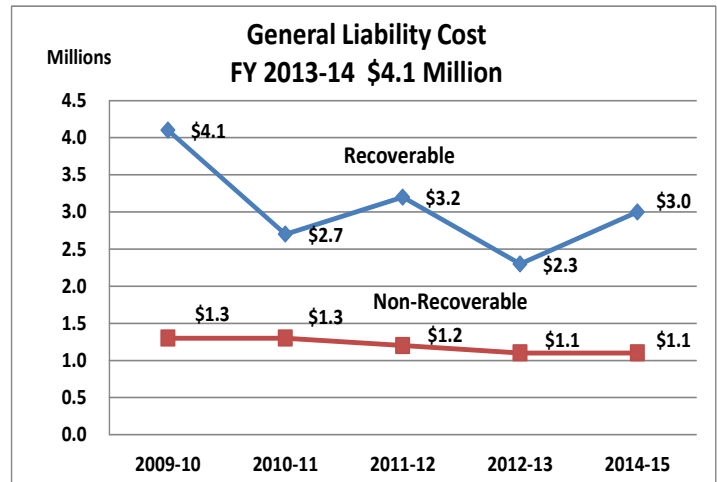
Services and supplies include contracted services, maintenance, rent, utilities, and various other departmental needs. These expenditures totaled \$118.2 million, ending the year \$16.1 million lower than budgeted. Most of the savings can be attributed to savings in professional services, and other special departmental expenses.



GENERAL LIABILITY COST

Monterey County self-insures its general liability funds with a total aggregate limit of \$150.0 million. General liability charges are defined as "Recoverable" or "Non-Recoverable" for purposes of cost recovery for County programs such as Child Support Services and most Health and Social Services functions, which receive reimbursement from federal and state sources.

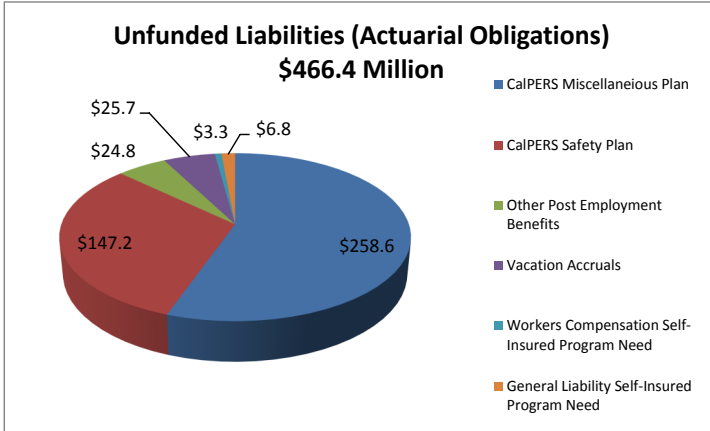
Non-Recoverable charges are specially related to settlements which do not qualify for reimbursement such as the Lakes settlement and Pajaro settlement. FY 2013-14 was the final year for charges related to the Pajaro settlement. FY 2013-14 total General Liability cost equaled \$4.1 million with recoverable liability ending at \$3.0 million and non-recoverable liability ending at \$1.1 million. The increase in cost is attributable to serious exposure defense and indemnity cost which exceed the actuarial determined (70% confidence level) funding. It is also important to note that the General Liability program currently has an unfunded balance of \$6.8 million as discussed in the next section.



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UNFUNDED LIABILITIES

Monterey County's unfunded future obligations include: CalPERS, Other Post-Employment Benefits, Vacation Accruals, Workers Compensation Self-insured Program and General Liability Self-Insured Program. Unfunded liability is the amount, at any given time, by which future payment obligations exceed the present value of funds available to pay them. Monterey County's unfunded liabilities are \$466.4 million.



Two of the major unfunded liabilities include CalPERS Miscellaneous Plan at \$258.6 million and CalPERS Safety Plan at \$147.3 million. As discussed previously in this report under the PERS Retirement section, these plans correspond to the cost of providing defined retirement, disability, and death benefits to eligible employees. The County's total obligations for CalPERS Miscellaneous Plan and CalPERS Safety Plan is \$405.9 million. In FY 2015-16 an annual estimated increase of \$2.2 million for the Miscellaneous Plan and an estimated increase of \$.8 million are expected.

The next highest unfunded liability is vacation accruals at \$25.7 million. This amount represents the amount owed to employees for vacation pay that has been earned but has not been taken.

Other Post Benefit Benefits (OPEB) are post retirement medical, dental, and benefits not associated with a pension plan. Prior to June 2009, the County paid OPEB benefits as they came due. The County now participates in the California Employer's Retiree Benefit Trust (CERBT) to provide a low cost, professionally managed investment vehicle for pre-funding retiree health benefits and other post-employee benefits. The County makes regular contributions to CERBT based on an actuarial valuation which

determines the annual required contribution. Currently, OPEB unfunded liability is \$24.8 million.

Across the State and the nation, public entities spend millions on lawsuits each year, and Monterey County is no exception. General Liability Self-Insured program currently has an unfunded balance of \$6.8 million and cost are expected to continue rising.

Unfunded liability for the Worker Compensation Self Insured Program is \$3.3 million. This represents expenses related to claims, settlements, judgments, administration, legal defense, costs, and excess insurance premiums.

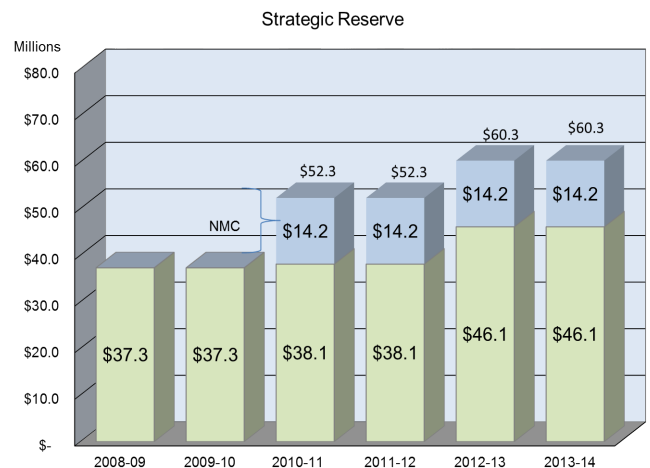
As the County moves forward, it will imperative to work together towards diminishing unfunded liabilities so that there is no threat to the County's operational capacity.

THE STRATEGIC RESERVE

The County has established a policy providing for a strategic reserve equal to 10% of general fund revenues for the following purposes:

- To build the County's capacity for funding settlement of legal judgments that exceed reserves normally designated for litigation; and
- To offset short-term revenue reductions due to economic downturns, and natural disasters as determined by the County Administrative Officer or the Board.

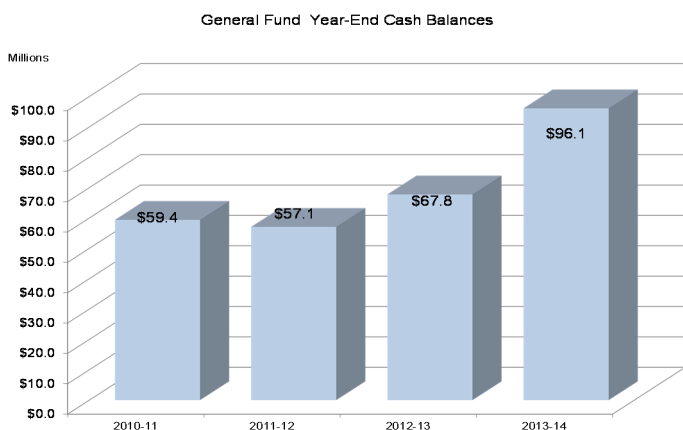
The strategic reserve set by the policy was to be reached over an eight year period beginning in FY 2005-06. The strategic reserve is instrumental in maintaining sufficient cash flow during state funding delays and "dry" months preceding semi-annual property tax collections.



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As a result of the downturn in revenue during the recession, the County suspended assignments to the strategic reserve to lessen the impact to departments. The strategic reserve for FY 2013-14 is \$60.3 million reflecting the addition of \$8.0 million from FY 2012-13 operating surplus in compliance with County policy. Included in this amount is \$14.2 million transferred from Natividad Medical Center (NMC) as agreed upon by the Board and the NMC Board of Trustees.

CASH BALANCE



Due to conservative financial management, the County has improved its cash flow balance over the past several years. During FY 2013-14, cash flow increased by \$28.3 million or 29% over the previous year, bringing the County's year-end cash balance to \$96.1 million. Actions taken by the Board to restore structural balance, assign (i.e., set aside) monies for future needs, and build the County's strategic reserve has eliminated the need for tax revenue anticipation notes (TRANS) to prevent cash shortages and has contributed to the County's strong credit rating.

DEPARTMENTAL BUDGET PERFORMANCE

During FY 2013-14 Monterey County programs, services, and administrative functions were provided through 27 departments. Twenty-four of these departments receive funding from the County's general fund. Departments and major funds totally supported outside the general fund, discussed later in the report, include the Library, Road Fund, Natividad Medical Center, Parks Resorts, and Behavioral Health.

The annual budget as approved by the Board of Super-

visors is the County's central financial planning document. As the County's operating plan, it is intended to embody the annual goals, objectives, priorities and levels of service and associated operating revenue and expenditures for all departments and agencies under the authority of the Board. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department Heads are responsible for managing their budgets within the total appropriation for their department. As established in the Board's General Financial Policies, expenditures shall not exceed appropriations and expenditures of the County's limited discretionary General Fund Contributions (GFC) will not exceed the amount approved by the Board. In the event that revenues fall short, departments are expected to take all available actions to re-establish a balance between revenue and expenditures, including development of service alternatives and mitigation strategies.

Unaudited year-end results indicate 16 departments ended the fiscal year below budgeted GFC by a combined total of \$12.6 million. This positive year-end performance was partially offset by eight departments that ended FY 2013-14 over their budgeted GFC by a total of \$4.2 million. Unbudgeted use of GFC diminishes resources available to support departments in future years, further straining the County's ability to maintain service capacity. Nevertheless, the overall FY 2013-14 results are favorable in comparison to the previously adopted and modified budgets.

The table that follows summarizes year-end GFC results by department, with departmental details provided later in this section. The year-end estimate projected authorized financing uses would exceed available financing \$3.8 million. Year-end results revealed a much more positive outcome, with an estimated ending fund balance of \$2.9 million.

Monterey County FY 2013-14 Budget End of Year Report

Dept	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to Actual
Agricultural Commissioner	\$2,964,685	\$2,964,685	\$3,002,555	(\$37,870)	(\$37,870)
Assessor-County Clerk-Rec.	\$3,600,950	\$3,471,936	\$3,504,126	(\$32,190)	\$96,824
Auditor-Controller (Deptl)	\$4,473,572	\$4,443,724	\$4,400,585	\$43,139	\$72,987
Board of Supervisors	\$2,842,182	\$2,841,250	\$2,785,580	\$55,670	\$56,602
Child Support Services	(\$413,110)	(\$77,204)	\$240,867	(\$318,071)	(\$653,977)
Clerk of the Board	\$800,954	\$757,507	\$657,098	\$100,409	\$143,856
Cooperative Extension Service	\$412,018	\$410,986	\$435,281	(\$24,295)	(\$23,263)
County Admin Office (Departl)	\$5,503,656	\$5,326,908	\$5,179,743	\$147,165	\$323,913
County Counsel	\$4,769,775	\$2,840,544	\$3,922,203	(\$1,081,659)	\$847,572
District Attorney	\$9,077,058	\$8,456,894	\$9,109,676	(\$652,782)	(\$32,618)
Economic Opportunity	\$2,681,290	\$2,423,947	\$2,415,392	\$8,555	\$265,898
Elections	\$3,634,543	\$3,565,152	\$2,329,605	\$1,235,547	\$1,304,938
Emergency Communications	\$1,327,957	\$1,328,680	(\$359,215)	\$1,687,895	\$1,687,172
Equal Opportunity Office	\$747,050	\$747,050	\$604,911	\$142,139	\$142,139
Health	\$3,749,824	\$3,862,817	\$1,740,587	\$2,122,230	\$2,009,237
Human Resources	\$3,225,121	\$3,225,121	\$2,926,110	\$299,011	\$299,011
Information Technology	\$290,381	\$0	\$312,850	(\$312,850)	(\$22,469)
Parks	\$1,624,938	\$1,624,528	\$935,799	\$688,729	\$689,139
Probation	\$16,720,526	\$17,219,747	\$18,221,314	(\$1,001,567)	(\$1,500,788)
Public Defender	\$9,734,818	\$9,620,065	\$9,697,277	(\$77,212)	\$37,541
Resource Management Agency	\$14,657,716	\$13,572,916	\$10,268,148	\$3,304,768	\$4,389,568
Sheriff-Coroner	\$48,535,067	\$49,124,064	\$50,402,432	(\$1,278,368)	(\$1,867,365)
Social & Employment Services	\$8,007,814	\$8,359,182	\$8,069,161	\$290,021	(\$61,347)
Treasurer-Tax Collector	\$1,390,684	\$1,328,288	\$1,168,514	\$159,774	\$222,170
Department Totals	\$150,359,469	\$147,438,787	\$141,970,601	\$5,468,186	\$8,388,868
Non-Departmental Costs ¹	(\$141,336,265)	(\$145,684,382)	(\$159,218,196)	\$13,533,814	\$17,881,931
General Fund Totals:	\$9,023,204	\$1,754,405	(\$17,247,595)	\$19,002,000	\$26,270,799

¹. Includes countywide revenues and expenditures such as Non-Program Revenues, Other Financing Uses, Countywide Cost Allocation Plan (COWCAP) recoveries, Short-Term Borrowing, Prop. 172 Contributions, Trial Courts, & Contingencies.

Shaping the year-end condition of the general fund were a number of events that took place in FY 2013-14:

- Final financial results from FY 2012-13 resulted in a \$3.6 million ending fund balance.
- The County earned revenues totaling \$525.3 million, including \$339.1 million in departmental (program) revenue and \$186.2 million in discretionary (non-

program) revenue.

- Approximately \$7.2 million in prior assignments were cancelled (made available) to meet the needs of Information Technology Department, Vehicle Replacement, and terminations (accrued leave credits paid to employees upon separating from County employment).

Monterey County FY 2013-14 Budget End of Year Report

- Departments continued their cost saving efforts by driving down expenditures to \$508.1, a reduction of \$30.6 million below the final modified budget.
- The County implemented previously authorized new assignments totaling \$8.2 million.
- Board authorized reprioritization of uses/assignments for FY 2013-14 unassigned/unbudgeted fund balance totaling \$14.3 million. (discussed below)

On September 30, 2014 the Board approved the reprioritization of uses/assignments for any FY 2013-14 unassigned/unbudgeted fund balance as follows:

1. Productivity Investment Program - \$200,000 for Assessors-Clerk Recorders Office to fund grant match requirements.
2. Vehicle Replacement Assignment - \$1,263,842 to ensure funds collected for the purpose of vehicle replacements are reserved for this purpose.
3. Laguna Seca Assignment- \$1,235,734 to the Laguna Seca Assignment to ensure funds collected from operations are reserved for the appropriate purpose.
4. Worker Compensation- \$1,336,439 to repay workers compensation fund claims paid on behalf of the General Fund which have since been recouped.
5. Capital Fund 404- \$13,000,000 for the purchase of the Schilling facilities.
6. Automation Systems Assignment- up to \$2,469,448 to reserve funds for capital improvements/maintenance projects.
7. Termination Leave Assignment- up to \$1,025,966 to achieve a 25% level of funding for this liability.
8. Strategic Reserve - up to \$3,000,000 to achieve a reserve equal to 10% of the General Fund revenue comprised entirely of General Fund sources.
9. Public Safety Sales Tax Assignment - up to \$500,000 to provide stabilization funding.
10. Vehicle Replacement Assignment - up to \$500,000 to provide funding to replace public safety vehicles that are placed in the county vehicle replacement program.

The culmination of these financial events resulted in a general fund unassigned fund balance of \$2.9 million as shown in the table that follows.

Preliminary 2013-14 Year-End Results

Amount	
Available Financing:	
Final 2012-13 Ending Fund Balance	\$ 3,595,034
2013-14 Revenues	525,337,828
Cancellation of Assignments	7,213,557
Adjusted Revenue	<u>(2,642,064)</u>
Total Financing Available for 2013-14	533,504,355
Financing Uses:	
2013-14 Expenditures	508,093,560
FY 2014-15 Previously Authorized Uses	14,336,439
Previously Authorized Assignments	<u>8,174,698</u>
	530,604,697
Ending Fund Balance	\$ 2,899,658

The County preliminarily ended FY 2013-14 with a unassigned general fund balance of \$2.9 million. As discussed earlier, the Board has authorized the use of general fund balance to meet a prioritized list of uses/assignments. Two of the priorities, Capital Fund 404 and Worker Compensation have already been budgeted as noted under FY 2014-15 previously authorized uses (\$14.3 million).

At this time, staff recommends funding only one additional need, listed below, due to the low remaining unassigned general balance.

- Productivity Investment Program (\$200,000).

Monterey County FY 2013-14 Budget End of Year Report

Upon the completion of the audit in January, staff will return to the Board for reprioritization of the following:

- Emergency Communications Dispatch assignment (\$350,000).
- Emergency Communication NGEN assignment. (\$864,618).
- Remaining October 30, 2014 Priority List (\$10.0 million)

Preliminary 2013-14 Year-End Results

	Amount
2013-14 Ending Fund Balance (Unaudited)	\$ 2,899,658
2014-15 Recommended Assignments:	
Productivity Investment Program	(200,000)
	(200,000)
Revised 2013-14 Result	\$ 2,699,658
2014-15 Future Considerations:	
NGEN Assignment	\$ 864,618
Emergency Comm. Dispatch Assgnmt.	\$ 350,000
Remaining October 30, 2014 Priority List	\$ 9,994,990

USE OF GENERAL FUND CONTINGENCIES

Approved Use of Contingencies		
2013-14 Adopted Budget General Fund Contingency Appropriation:		\$ 4,794,358
Department	Purpose	Amount
CAO-Comm. Engmnt.	Gang Violence Prevention Initiative	139,208
CAO-IGLA	Monterey County Peninsula Regional Water Authority membership	83,300
Risk	PTAF Settlements	1,415,875
EDD	Decreased in reimbursement revenue	265,119
Public Defender	ADO and PD office Shortfall	568,131
Sheriff's Office	Fiscal Year Budget Shortfall	885,000
Parks Resorts	Operations deficit	1,437,725
Total Use of General Fund Contingencies - FY 2013-14:		\$ 4,794,358
Year-end Contingencies Balance:		\$ -

Board policy requires a general fund contingency reserve in an amount equivalent to one percent of total general fund estimated revenue. The General Fund contingencies appropriation may be used at the discretion of the Board in the event of revenue shortfalls or unanticipated expenditure requirements, and as a last option after all other potential funding sources and/or expenditure reductions have been explored. The FY 2013-14 Adopted Budget included contingency appropriations of \$4,794,358. Through the course of the fiscal year, six departments requested and were granted use of contingency appropriation funds. As detailed in the following chart, use of contingencies in 2013-14 totaled \$4,794,358, exhausting budgeted appropriations.

Monterey County FY 2013-14 Budget End of Year Report

GENERAL FUND YEAR-END RESULTS BY DEPARTMENT

Below is a department-by-department summary of year-end performance against budget and estimate.

Agricultural Commissioner

The Agricultural Commissioner's final budget included \$9.9 million in appropriations offset by \$6.9 million in revenues and a GFC of \$3.0 million. Actual expenditures totaled \$9.6 million, coming in \$171,663 lower than budget. Revenue estimated was \$6.5 million, but actual revenue totaled \$6.7 million. The year-end deficit of \$37,870 is directly related to an equivalent amount of revenue received after the close of the accrual period.

Agricultural Commissioner

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$9,852,256	\$9,452,256	\$9,680,593
Revenues	6,887,571	6,487,571	6,678,038
GFC (Exp. - Rev.)	2,964,685	2,964,685	3,002,555
GFC Final Budget versus Actual:		Deficit	-37,870

Recommendation: increase FY 2014-15 revenues by \$37,870 for FY 2013-14 Agricultural Commissioner revenues received after the accrual deadline.

Assessor- County Clerk/Recorder

The Assessor-County Clerk/Recorder's final budget included \$7.1 million in appropriations, \$3.5 million in revenue, and a GFC of \$3.6 million. Year-end actual expenditures were \$567,274 below budget due to salary savings as a result of vacant positions in the Assessor division. Year-end revenues were \$470,450 below budget due to a decrease in recordings (amendment of the Real Estate Fraud Prosecution Trust Fund Government Code section 27388 reduced the number of real property documents for which an administrative fee could be collected), unforeseen legal fee expenditures, and the extension of a project completion date into the next fiscal year resulting in a loss of revenue of \$25,400 in the County-Clerk/Recorder division. Overall the Assessor-County Clerk/Recorder ended the fiscal year with a GFC surplus of \$96,824.

Assessor-County Clerk-Recorder

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$7,106,842	\$6,742,063	\$6,539,568
Revenues	3,505,892	3,270,127	3,035,442
GFC (Exp. - Rev.)	3,600,950	3,471,936	3,504,126
GFC Final Budget versus Actual:		Surplus	96,824

Auditor-Controller

The Auditor-Controller's final departmental budget included appropriations of \$4.9 million, offset by \$0.4 million in revenue and \$4.5 million in GFC. The Department's year-end expenditures were \$5,222 below budget and revenue was \$67,765 above budget, resulting in a GFC surplus of \$72,987. The surplus is the result of increased Property Tax Administration and Accounting Fees. The improvement offsets a year-end increase in appropriations totaling \$80,000 from General Termination Assignment Fund to pay for unexpected termination costs (retirement and layoff).

Auditor-Controller (Departmental)

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$4,874,834	\$4,868,377	\$4,869,612
Revenues	401,262	424,653	469,027
GFC (Exp. - Rev.)	4,473,572	4,443,724	4,400,585
GFC Final Budget versus Actual:		Surplus	72,987

Monterey County FY 2013-14 Budget End of Year Report

Auditor-Controller - Non-Departmental

Non-departmental units administered within the Auditor-Controller's budget provide for functions that meet a countywide need or responsibility, including the annual County audit, recovery of County overhead costs, debt service, and short-term borrowing. Year-end actuals for these units reflect a GFC deficit of \$287,320. The deficit is due to an over estimation of overhead cost recoveries which was based on the average of five prior fiscal years. However, actual overhead costs were lower than expected.

Auditor-Controller (Non-Departmental)

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	-\$5,715,000	-\$5,905,107	-\$5,927,680
Revenues	500,000	0	0
GFC (Exp. - Rev.)	-6,215,000	-5,905,107	-5,927,680
GFC Final Budget versus Actual:			-287,320

Board of Supervisors

The Board of Supervisors FY 2013-14 budget, totaling \$2.8 million, funds the five individual district offices. Expenditures ended the year \$56,602 below budget due to the option of one district office to fill a full-time position with a part-time employee.

Board of Supervisors

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	2,842,182	2,841,250	\$2,785,580
Revenues	0	0	0
GFC (Exp. - Rev.)	2,842,182	2,841,250	2,785,580
GFC Final Budget versus Actual:		Surplus	56,602

Child Support Services

The Department of Child Support Services (CSS) is funded entirely through state and federal subventions. County Cost Allocation Plan (COWCAP) expenses generally result in a negative GFC for this budget, reflecting anticipated recovery of overhead costs from the Federal and State government for services provided by County departments in support of CSS. The final budget for CSS consisted of \$11,029,954 in expenditures, estimated revenues of \$11,443,064, and a negative GFC of \$413,110.

Expenditures at year end totaled \$10,841,551, offset by revenues of \$10,600,684 and a year-end GFC deficit of \$653,977. Actual expenditures were \$188,403 below budget due to salary savings resulting from vacant positions not being filled. Actual revenue was \$842,380 below budget and \$690,600 below estimate. This year's revenue was revised downward by \$455,112 as part of an audit adjustment. An additional adjustment of \$255,725 was made to revenue to reflect revenues not received within the accrual period. The Department received a portion (\$137,447) of these funds in early September, and expects to receive the remainder by December 2014. The County Administrative Office recommends increasing FY 2014-15 revenue by \$255,725, the amount of revenue that CSS expects to receive after the accrual deadline, in effect partially reimbursing the general fund for year-end GFC deficit.

Child Support Services

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$11,029,954	\$10,926,013	\$10,841,551
Revenues	11,443,064	11,003,217	10,600,684
GFC (Exp. - Rev.)	-413,110	-77,204	240,867
GFC Final Budget versus Actual:		Deficit	-653,977

Recommendation: Increase FY 2014-15 revenue by \$255,725 for FY 2013-14 Child Support Services Department revenue received after the accrual deadline.

Monterey County FY 2013-14 Budget End of Year Report

Clerk of the Board

The Clerk of the Board's approved budget included \$825,954 in appropriations, \$25,000 in revenue and \$800,954 in GFC. Expenditures were \$683,421 which is \$142,533 below budget due to a number of issues, including salary savings from a vacant position, and less than anticipated expenditures for publications and legal notices and minor computer software. The department's use of GFC was \$143,856 below budget.

Clerk of the Board

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$825,954	\$782,507	\$683,421
Revenues	25,000	25,000	26,324
GFC (Exp. - Rev.)	800,954	757,507	657,098
GFC Final Budget versus Actual:		Surplus	143,856

Cooperative Extension Services

The budget for Cooperative Extension was \$532,421 in expenditures, estimated revenues of \$120,403, and a GFC offset of \$412,018. Actual year-end expenditures totaled \$516,353, offset by revenues of \$81,072 and \$435,281 in use of GFC. Actual expenditures were \$16,068 below budget and revenues were \$39,331 less than estimate. The expenditures were less than anticipated due to reductions in temporary help services, and a reduction in services and supplies.

Cooperative Extension Services

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$532,421	\$511,151	\$516,353
Revenues	120,403	100,165	81,072
GFC (Exp. - Rev.)	412,018	410,986	435,281
GFC Final Budget versus Actual:		Deficit	-23,263

County Counsel

The Office of the County Counsel general fund units include the County Counsel administration and operational unit, Grand Jury funding requirements, and Risk Management units. General fund units were budgeted at \$5.2 million in expenditures, with estimated offsetting revenues of \$393,665 and \$4.8 million in GFC. Year-end expenditures were \$878,191 below budget and \$1.0 million above year-end estimate. Revenues were \$30,618 below budget and \$54,423 below estimate. The resulting year-end GFC surplus of \$847,572 was primarily related to expenditure savings, which can be attributed to vacancies, including an Assistant County Counsel, a Management Analyst III, and two Management Analyst II positions,

County Counsel

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$5,163,440	\$3,258,014	\$4,285,249
Revenues	393,665	417,470	363,047
GFC (Exp. - Rev.)	4,769,775	2,840,544	3,922,203
GFC Final Budget versus Actual:		Surplus	847,572

Monterey County FY 2013-14 Budget End of Year Report

District Attorney

The District Attorney's (DA) budget included \$21.7 million in expenditures, estimated revenues of \$12.6 million, and a GFC offset of \$9.1 million. Year-end expenditures totaled \$21.3 million, 2% below budget. Year-end revenues totaled \$12.1 million, \$456,010 below budget. Unavailable revenues earned in FY 2013-14 but not received by the end of the accrual period would have reflected revenue above budget and a surplus in GFC. These revenues are anticipated to be received before the end of the calendar year.

District Attorney

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$21,675,824	\$19,146,426	\$21,252,431
Revenues	12,598,766	10,689,532	12,142,756
GFC (Exp. - Rev.)	9,077,058	8,456,894	9,109,676
GFC Final Budget versus Actual:		Deficit	-32,618

Recommendation: increase FY 2014-15 revenues by \$32,618 for FY 2013-14 District Attorney revenues received after the accrual deadline.

County Administrative Office - Departmental

Business areas in the CAO's Office include Finance and Administration, Budget and Analysis, Contracts/Purchasing, Fleet Management, Intergovernmental & Legislative Affairs (IG&LA), and Office of Emergency Services (OES). Total expenditures at year-end were \$323,913 below budget. Revenues were \$19,065 below budget, partially due to OES revenues in the amount of \$91,430 that were not received within the 60-day accrual period. Revenues include \$44,385 from the California Disaster Assistance Act for the Basin Complex Fire in 2009. Reduced expenditures are primarily the result of vacancies in a number of departmental units.

County Administrative Office - Departmental

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$5,807,489	\$5,634,908	\$5,464,511
Revenues	303,833	308,000	284,768
GFC (Exp. - Rev.)	5,503,656	5,326,908	5,179,743
GFC Final Budget versus Actual:		Surplus	323,913

These factors contributed to a year-end GFC surplus of \$323,913.

County Administrative Office - Non-Departmental

The 2013-14 CAO non-departmental general fund units include specific purpose, non-operational functions related to the administration and oversight of general fund contingencies, contributions and obligations to other agencies, Trial Court obligations, Other Financing Uses, County memberships, medical care services, and non-program revenue. The final budget included \$44.8 million in appropriations and \$180.0 million in revenue (mostly the County's non-program revenue). Year-end expenditures were \$1.5 million lower than budget. Reported revenue exceeded budget by \$16.7 million, due to improvement in property tax and TOT revenue.

County Administrative Office - Non-Departmental

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$44,838,577	\$41,858,585	\$43,388,320
Revenues	179,959,842	181,637,860	196,678,835
GFC (Exp. - Rev.)	-135,121,265	-139,779,275	-153,290,515
GFC Final Budget versus Actual:		Surplus	18,169,250

Monterey County FY 2013-14 Budget End of Year Report

Economic Opportunity

The Economic Opportunity budgeted \$2.7 million in expenditures, estimated revenues of \$26,000, and a GFC offset of \$2.7 million. Expenditures at year-end totaled \$2.7 million, offset by revenues of \$235,000 and a year-end GFC of \$2.4 million. Revenues ended the year \$209,213 higher than budgeted due to a unanticipated developer reimbursement check received during the year from UPC East Garrison for services rendered in previous fiscal years. The Department received a transfer of \$265,119 from contingency appropriations. Overall, the Department recognized a positive GFC balance of \$265,898, or \$799 after taking into account use of contingency appropriations.

Economic Opportunity

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$2,707,904	\$2,657,662	\$2,651,219
Revenues	26,614	233,715	235,827
GFC (Exp. - Rev.)	2,681,290	2,423,947	2,415,392
GFC Final Budget versus Actual:		Surplus	265,898

Emergency Communications

Budgeted 2013-14 appropriations for Emergency Communications totaled \$10.7 million with offsetting revenue of \$9.4 million and \$1.3 million in GFC. The Department ended 2013-14 with a GFC surplus of \$1,687,172, with expenditures \$1,694,953 below budget. The GFC surplus was partially driven by the election of a supplemental collection of \$350,000 from agencies participating in the consolidated dispatch center. This money was collected for use on future capital projects. These surplus funds will require Board approval to be recovered from year-end fund balance and assigned to the appropriate designation (see recommendation below). Due to project delays, the money was collected from participating agencies but was not expended as budgeted. Participating agencies request that this money is held in an assignment for NGEN project use in future budget years. These surplus funds will require Board approval to be recovered from year-end fund balance and assigned to the appropriate designation (see recommendation below).

Remaining savings in expenditures were due to unfilled positions in the Department. In previous fiscal years surplus revenue has been held in a restricted revenue fund. Due to a change implemented by the Auditor-Controller's Office this fund will no longer be used to carry surplus revenue to future budget years and it is recommended that the balance of this fund, \$734,425, be transferred to the Emergency Communications Dispatch assignment for use in future budget years.

Emergency Communications

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$10,688,950	\$10,650,419	\$8,993,997
Revenues	9,360,993	9,321,739	9,353,212
GFC (Exp. - Rev.)	1,327,957	1,328,680	-359,215
GFC Final Budget versus Actual:		Surplus	1,687,172

Recommendations: The department requests the following transfers at a later date.

- A. Transfer \$350,000 in unobligated year-end fund balance to the Emergency Communications Dispatch assignment.
- B. Transfer \$864,618 in unobligated year-end fund balance to the Emergency Communications NGEN assignment.

Monterey County FY 2013-14 Budget End of Year Report

Elections

The 2013-14 budget for Elections included \$4.9 million in appropriations, \$1.3 million in revenue and \$3.6 million in GFC. Year-end actual expenditures reflect expenditure savings of just over \$1.0 million and a slight increase in revenues of \$202,345, resulting in a year-end GFC surplus of \$1.3 million. The budget is forecasted based on all potential contests going to ballot. However, in the November 2013 election, only one third of districts had eligible measures or candidates on the ballot. This resulted in lower expenditures, especially for temporary staffing and ballot and pamphlet printing. Additional revenues came from several grant claims that reimbursed associated costs.

Elections

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$4,889,543	\$4,878,152	\$3,786,950
Revenues	1,255,000	1,313,000	1,457,345
GFC (Exp. - Rev.)	3,634,543	3,565,152	2,329,605
GFC Final Budget versus Actual:		Surplus	1,304,938

Equal Opportunity Office

The approved budget for the Equal Opportunity Office (EOO) included appropriations of \$747,050. The Equal Opportunity Office relies solely on General Fund Contributions to operate its office. EOO does not receive any revenue for the services it provides to County departments. The Equal Opportunity Office met its budget target with year-end savings of \$142,139 due to salary savings from position vacancy.

Equal Opportunity

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$747,050	\$747,050	\$604,911
Revenues	0	0	0
GFC (Exp. - Rev.)	747,050	747,050	604,911
GFC Final Budget versus Actual:		Surplus	142,139

Health Department

The final budget for the Health Department included \$70.9 million in appropriations, \$67.2 million in revenues, and \$3.7 million in GFC. Actual expenditures were \$6.3 million below budget and \$0.7 million below estimate. Year-end revenue was \$4.3 million below budget, but \$1.8 million higher than estimates. Overall the Department ended the year using \$2.3 million in GFC, a \$1.5 improvement compared to budget. Much of this improvement reflects the receipt of revenue earned in FY 2012-13, but received in FY 2013-14. Expenditures were below the approved budget primarily due to delay in construction projects for expansion of primary clinic sites in Salinas and Seaside. With the creation of the Behavioral Health fund in FY 2012-13, the movement of all mental health monies from other funds to the Behavioral Health Fund continued into FY 2013-14 with the final transfer of funds accrued but not received from FY 2011-12 from the general fund in the amount of \$568,077. During this process, an adjustment of \$555,764 had to be made to correct an erroneous adjustment made to the FY 2011-12 revenue accrued but not received from the general fund by the Auditor-Controller's Office to reflect proper accounting.

Health

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$70,925,699	\$64,992,934	\$64,661,466
Revenues	67,175,875	61,130,117	62,920,879
Revenue Adj.			-555,764
GFC (Exp. - Rev.)	3,749,824	3,862,817	2,296,351
GFC Final Budget versus Actual:		Surplus	1,453,473

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Human Resources

The Human Resources Department budget included \$3.2 million in expenditures. Actual expenditures for the year were \$2.9 million. Difficulty in filling numerous vacancies throughout the year resulted in salary and benefit savings of \$735,815. The savings allowed the Department to make expenditures in excess of budgeted amounts for services and supplies related to staff training, technology, learning and development materials and supplies, and legal expenditures. Additionally, a \$159,420 error in Information and Technology Department billing was discovered after year-end closing. Overall, the Department ended the fiscal year with a positive a positive GFC balance of \$299,011.

Human Resources

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$3,227,471	\$3,225,121	\$2,936,509
Revenues	2,350	0	10,399
GFC (Exp. - Rev.)	3,225,121	3,225,121	2,926,110
GFC Final Budget versus Actual:		Surplus	299,011

Information Technology

The Information Technology Department was budgeted at \$19.9 million in expenditures, off-set by \$18 million in internal County customer charges, totaling budgeted appropriations of \$1.9 million. Estimated revenues were budgeted at \$1.6 million, reflecting a GFC of \$290,381. Assignment funds set aside for ITD (generated by customer surplus funding from a prior year), will offset the GFC of \$290,381. Actual year-end expenditures totaled \$1.5 million, offsetting revenues of \$1.2 million reflecting a year-end GFC of \$312,850. As a result, the Department ended the fiscal year \$22,469 over budget. Anticipated revenues fell short due to funds that were received after the year-end deadline for revenue receipts. Additionally, an error was discovered post finalization of the above numbers, inadvertently collecting \$159,420 from the Human Resources Department in error and then spending these funds. Taking into account the erroneous expenditure of these funds results in a re-stated deficit of \$181,889.

Information Technology

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$1,891,669	\$1,204,160	\$1,492,398
Revenues	1,601,288	1,204,160	1,179,548
GFC (Exp. - Rev.)	290,381	0	312,850
GFC Final Budget versus Actual:		Deficit	-22,469

Recommendation: increase FY 2014-15 revenues by \$181,889 for FY 2013-14 to recognize prior year revenue received after the accrual deadline.

Parks

The Department's final general fund budget included \$4.9 million in appropriations offset by \$3.2 million in revenue and \$1.6 million in GFC. Year-end expenditures were \$4,924 less than budget and year-end revenue was \$684,215 better than budgeted expectations. Laguna Seca Track Unit revenue was \$521,740 over budget estimates, and Laguna Seca Park revenue was \$88,904 over estimated revenue.

Parks

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$4,864,188	\$4,500,778	\$4,859,264
Revenues	3,239,250	2,876,250	3,923,465
GFC (Exp. - Rev.)	1,624,938	1,624,528	935,799
GFC Final Budget versus Actual:		Surplus	689,139

Monterey County FY 2013-14 Budget End of Year Report

Public Defender

The Public Defender's final approved budget contained appropriations of \$10.3 million, which included an increase of \$568,131 from the contingencies appropriation to cover additional costs for court appointments of private counsel and avoid a year-end shortfall. Final modified appropriations were offset by \$534,128 in revenue and GFC of \$9.7 million. Year-end actual expenditures came in \$129,824 below budget and revenue was \$92,283 below budget expectations, resulting in a net GFC surplus of \$37,541. Without the transfer from the contingency appropriation, the Department would have ended the fiscal year with a GFC deficit of \$530,590.

Public Defender

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$10,268,946	\$9,931,193	\$10,139,122
Revenues	534,128	311,128	441,845
GFC (Exp. - Rev.)	9,734,818	9,620,065	9,697,277
GFC Final Budget versus Actual:		Surplus	37,541

Probation

Probation's FY 2013-14 final budget included \$39.5 million in appropriations, offset by \$22.8 million in revenue and GFC of \$16.7 million. Throughout FY 2013 -14, the Department's efforts to contain cost in overtime by managing vacancies to achieve salary savings contributed to a favorable financial position for FY 2013-14 except for \$1.6 million in deferred revenue. The deferred revenue resulted in a fiscal year-end GFC exceeding budget by \$1.5 million. Actual expenditures were \$671,438 below budget which included unspent AB109 Public Safety Realignment appropriations of \$426,905. The Department ended the year-end \$2.2 million below budgeted revenue primarily due to timing of receipt of revenue and Title IV-E deferred revenue. These monies were withheld in May 2014 by Administration for Children and Families (ACF) pending final approval of revised statewide Title IV-E claim requirements. These monies were accrued in FY 2013-14 but subsequently deferred to FY 2014-15. Receipt of these funds is expected in FY 2014-15 after ACF final approval. Overall, notwithstanding deferred revenue, the Department would have recognized a surplus GFC of \$118,577 for FY 2013-14. The Probation Department continues to manage its budget through the challenges of reduced state and federal funding and the implementation of the State's Public Safety AB109 realignment.

Probation

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$39,508,061	\$39,248,771	\$38,836,623
Revenues	22,787,535	22,029,024	20,615,308
GFC (Exp. - Rev.)	16,720,526	17,219,747	18,221,314
GFC Final Budget versus Actual:		Deficit	-1,500,788

Recommendation: Pending action taken on the Title IV-E claims, the County Administrative Office will work with Probation to determine the amount of deferred 2013-14 revenue that should be recognized in 2014-15 and will return to the Board with future recommendations to recognize these revenues as appropriate.

Monterey County FY 2013-14 Budget End of Year Report

Resource Management Agency (RMA)

The Resource Management Agency final budget included appropriations of \$21.3 million, \$6.6 million in revenue, and \$14.7 million in GFC. The year-end GFC surplus of \$4.4 million includes \$3.2 million from reduced expenditures and \$1.2 million from higher than anticipated revenue. Expenditure savings include \$1.8 million of Vehicle Replacement Program (VRP) funding and as a program designated fund, the excess VRP funds will be transferred back to the VRP designation in accordance with the Budget Recommendations for FY 2014-15. As such, this total will not increase year-end general fund balance. The remaining year-end surplus, totaling \$1.4 million, includes \$758,000 in unspent appropriated for the Pfeiffer Ridge fire, as well as other expenditure savings of \$680,495 across the RMA General Fund Units, primarily attributable to vacancies that were not filled during the course of the fiscal year. The higher than expected revenue was due to increased permit revenue in Building Services.

Resource Management Agency

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$21,288,810	\$20,540,762	\$18,046,492
Revenues	6,631,094	6,967,846	7,778,343
GFC (Exp. - Rev.)	14,657,716	13,572,916	10,268,148
GFC Final Budget versus Actual:		Surplus	4,389,568

Sheriff-Coroner

The Sheriff-Coroner's Office FY 2013-14 budget included \$81.9 million in appropriations, \$33.4 million in estimated revenue and \$48.5 million in GFC. Expenditures at year-end were \$243,647 below budget and \$5.2 million over estimate. Year-end revenue was \$2.1 million below budget. More than \$0.5 million of this shortfall was due to the receipt of revenue after the 60-day revenue accrual period. This revenue was booked in FY 2014-15. The remaining shortfall of \$1.6 million was due to lower-than-planned reimbursements from public safety realignment funds resulting from fewer reimbursable expenditures. However, the Sheriff's Office also had increased costs associated with a significant hiring push to address staffing shortfalls in the County Jail. This increase in staffing resulted in significant costs associated with salaries, benefits and academy training as well as increased overtime to backfill for those training officers' time. Additionally, the Sheriff's Office incurred substantial, unbudgeted costs associated with the maintenance and repairs to its aging facilities. Due to these increased costs, the Sheriff-Coroner's Office use of GFC was \$1.9 million over budget.

Sheriff-Coroner

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$81,940,407	\$80,383,679	\$81,696,760
Revenues	33,405,340	31,259,615	31,294,328
GFC (Exp. - Rev.)	48,535,067	49,124,064	50,402,432
GFC Final Budget versus Actual:		Deficit	-1,867,365

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Social and Employment Services

The Department of Social Services (DSS) was budgeted at \$170 million in expenditures, estimated revenues of \$162 million, and a GFC offset of \$8 million. Year-end expenditures totaled \$158.7 million, offset by revenues of \$150.6 million and \$8.1 million in use of GFC. Actual expenditures were \$11.3 million below budget and \$7 million more than estimate. The expenditures were less than budget due to the large challenges in filling staff vacancies, slight project delays for the CalWORKs Employment Services Family Stabilization and Subsidized Employment Programs, and CalWORKs time limits which reduced entitlement payments. Year-end revenues were \$11.4 million below budget and \$8.0 million less than estimate, which correlates with the reduction of expenditures due to the reimbursement structure. Overall, the Department recognized a negative GFC balance of \$61,347 due to revenue not received within the 60 day accrual period. This revenue has since been received in September 2014.

Social and Employment Services

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$170,002,822	\$165,365,235	\$158,710,701
Revenues	161,995,008	157,006,053	150,641,539
GFC (Exp. - Rev.)	8,007,814	8,359,182	8,069,161
GFC Final Budget versus Actual:		Deficit	-61,347

Recommendation: increase FY 2014-15 revenues by \$61,347 for FY 2013-14 Social and Employment Services revenues received after the accrual deadline.

The Treasurer-Tax Collector's

The Treasurer-Tax Collector's approved budget included \$7.0 million in appropriations, \$5.6 million in revenue and \$1.4 million in GFC. Expenditures at year-end were \$658,129 below budget and \$528,861 below estimate. Reduced expenditures in Tax Collector were primarily related to salary savings resulting from vacant positions in the Treasury, Property Tax, and Revenue divisions and unexpended legal fees. Additionally there were service fees cost savings in banking and investment. Year-end revenue was \$433,185 below budget and was directly correlated to reduced expenditures reimbursed through treasury portfolio administrative fees, and by Penal Code 1463.007 that allows for the reimbursement of court ordered debt collection expenses. The reduced revenue was primarily offset by an increase in property tax administration fee revenue. Due to decreased expenditures, the Department's use of GFC was below budget resulting in a \$222,170 surplus.

Treasurer-Tax Collector

	Final Budget	Year-End Estimate	2013-14 Actual
Expenditures	\$6,955,776	\$6,826,498	\$6,297,639
Revenues	5,565,092	5,498,210	5,129,125
GFC (Exp. - Rev.)	1,390,684	1,328,288	1,168,514
GFC Final Budget versus Actual:		Surplus	222,170

Monterey County FY 2013-14 Budget End of Year Report

OTHER MAJOR FUNDS

The County budget includes a number of other agencies funded for specific purposes through sources other than the general fund. Major other funds include the County Library, Road Fund, Water Resources Agency, Behavioral Health, Natividad Medical Center and the Parks Resorts. The next section of this report discusses 2013-14 year-end results for these funds with the exception of Water Resources Agency (WRA) and Parks Resort. Both will report their year-end results separately.

County Library

The Monterey County Free Libraries (MCFL) FY 2013-14 final budget included \$8.0 million in appropriations, \$7.1 million in revenue and \$0.8 million in fund balance use. Expenditures at year-end were \$0.2 million below budget, primarily the result of salary savings from position vacancies. Year-end revenue was \$0.4 million above budget and \$0.2 million above estimate. Much of the higher than planned revenue from higher property tax collection. Due to decreased expenditures and increased revenue, MCFL was able to maintain an ending balance of \$0.7 million over the budgeted ending balance, a 55% improvement above the budgeted ending fund balance.

Monterey County Free Library

	Final Budget	Year-End Estimate	2013-14 Actual
Beginning Fund Balance	\$1,774,319	\$1,774,319	\$1,774,319
Revenue	7,153,402	7,134,402	7,556,684
Cancellation of Assign.	0	0	0
Total Financing Sources	\$8,927,721	\$8,908,721	\$9,331,003
Expenditures	8,076,335	8,165,097	7,778,695
Provisions for Assign.	0	0	0
Total Financing Uses	\$8,076,335	\$8,165,097	\$7,778,695
Ending Fund Balance	\$851,386	\$743,624	\$1,552,308

RMA - Public Works - Road Fund

The Road Fund is a special revenue fund established according to State law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects. The 2013-14 adopted budget was based on estimated annual revenue of \$28.9 million and anticipated expenditures of \$32.4 million. These estimates are based on the number and types of projects RMA-

Public Works expected to conduct over the course of the fiscal year. In January 2014, RMA-Public Works' year-end estimate for the Road Fund anticipated ending the year with \$29.5 million in revenue and \$29.3 million in expenditures. The Road Fund ended fiscal year 2013-14 with actual revenues of \$28.2 million, or 4% below year-end estimate, and expenditures of \$24.2 million, or 17% below year-end estimate. As a result, the Road Fund's fund balance increased approximately \$3.9 million for a total year ending June 30, 2014 available fund balance of \$5.0 million. The increase in fund balance is attributable to \$1.5 million of revenue receipts that carried over from the prior fiscal year 2012-13; \$896,000 increase in Highway Users Tax; and \$1.5 million Operating Transfer-In for the Castroville Boulevard Overlay Project which is planned to be in construction.

Road Fund

	Final Budget	Year-End Estimate	2013-14 Actual
Beginning Fund Balance	\$3,401,602	\$1,083,644	\$1,083,644
Revenue	28,959,120	29,462,202	28,182,326
Cancellation of Assign.	0	0	0
Total Financing Sources	\$32,360,722	\$30,545,846	\$29,265,970
Expenditures	32,360,722	29,313,302	24,246,846
Provisions for Assign.	0	0	0
Total Financing Uses	\$32,360,722	\$29,313,302	\$24,246,846
Ending Fund Balance	\$0	\$1,232,544	\$5,019,124

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Behavioral Health

The Behavioral Health Fund 023 is a special revenue fund effective July 1, 2012. The final budget for Behavioral Health included \$73.7 million in appropriations, \$73.7 million in revenues, and a contribution to fund balance in the amount of \$47,542. Year-end revenue was \$2.0 million below budget, and \$5.2 million above estimate. Expenditures for the same period were \$1.9 million below budget, and \$6.0 million below estimate, resulting in a \$4.1 million improvement in fund balance. The \$6.0 million in cost savings was achieved from efficiencies and cost saving measures which included stricter oversight of service contracts and other planned outlays to prevent improper payments. Approximately \$2.5 million in anticipated revenue was accrued but not recognized in FY 2013-14 because it was not received by the close of the accrual period on August 31st. Most of this revenue is expected to be received by December 2014. The fund balance is comprised of new mental health revenues. The fund balance supports mental health eligible services including preparation for Affordable Care Act.

Behavioral Health Fund

	Final Budget	Year-End Estimate	2013-14 Actual
FY 13-14 Budget Results			
Revenue	73,682,510	63,966,257	71,724,386
Cancellation of Assign.	0	0	0
Total Financing Sources	73,682,510	63,966,257	71,724,386
Expenditures	73,634,968	68,601,430	67,607,662
Provisions for Assign.	<u>0</u>	<u>0</u>	<u>0</u>
Total Financing Uses	\$73,634,968	\$68,601,430	\$67,607,662

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Natividad Medical Center

Natividad Medical Center (NMC) is a County enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business organizations, where the costs of providing goods or services to the general public on a continuing basis is financed or reimbursed primarily through user charges.

Patient volume adjusted for inpatient and outpatient services improved compared to budget by 3.4%. Services for inpatient care were 0.7% lower than budget while outpatient services were favorable compared to budget by 8.7%. Total revenues were favorable from budget by \$12.8 million resulting from increased funding from Medi-Cal disproportionate share, Provider Fee and Meaningful Use.

Expenditures were higher than budget by 5% or \$9.7 million as a result of the upgrade and enhancement of services that are fundamental to safe, reliable, and high quality patient care. Natividad Medical Center fully deployed the Healthcare Interpreter Network (HCIN) video technology, implemented an Indigenous Language Interpreter Program, initiated a Core Measure campaign, implemented an Insertion Bundle practice to lower and eliminate Central Line Infection events, achieved quality and patient satisfaction milestones as part of the safety net provider's Delivery System Reform Incentive

(DSRIP), finalized construction plans for additional primary care clinics, was awarded a Trauma Level II facility designated for Monterey County, and implemented several key information technologies (physician documentation, dragon dictation, computerized order entry, hospital-wide major system upgrade, etc.). The County's hospital also successfully developed and implemented a Low Income Health Plan (LIHP) to provide automatic insurance coverage to individuals without insurance. The FY 2013-14 year-end resulted in a net income of \$491,398.

Natividad Medical Center

(UNAUDITED)	Final Budget	Year-End Estimate	2013-14 Actual
Revenue	172,537,080	178,119,121	185,365,058
Cancellation of Assign.	0	0	0
Total Financing Sources	\$172,537,080	\$178,119,121	\$185,365,058
Expenditures	175,148,028	198,252,580	184,873,660
Provision for Assign.	0	0	0
Total Financing Uses	\$175,148,028	\$198,252,580	\$184,873,660
Net Income or Loss	-\$2,610,948	-\$20,133,459	\$491,398

Monterey County FY 2013-14 Budget End of Year Report

SUMMARY OF RECOMMENDATIONS

The County preliminarily ended FY 2013-14 with a unassigned general fund balance of \$2.9 million. Based on the available unassigned general fund balance, summaries for both immediate recommendations and future recommendations provided below.

SUMMARY OF IMMEDIATE RECOMMENDATIONS

Staff recommends funding only one additional need, listed below, with the remaining unassigned general balance. The other recommendations do not involve the use of general fund balance.

Recommendation: proceed with the September 30, 2014 approved assignment of \$200,000 in FY 2013-14 to the Productivity Investment Program Assignment for the Assessors-Clerk Recorders Office to fund grant match requirements.

Recommendation: increase FY 2014-15 revenues by \$37,870 for FY 2013-14 Agricultural Commissioner revenues received after the accrual deadline.

Recommendation: increase FY 2014-15 revenues by \$255,725 for FY 2013-14 Child Support Services revenues received after the accrual deadline.

Recommendation: increase FY 2014-15 revenues by \$32,618 for FY 2013-14 District Attorney revenues received after the accrual deadline.

Recommendation: increase FY 2014-15 revenues by \$181,889 for FY 2013-14 Information Technology revenues received after the accrual deadline.

Recommendation: pending action taken on the Title IV-E claims, the County Administrative Office will work with Probation to determine the amount of deferred 2013-14 revenue that should be recognized in 2014-15 and will return to the Board with future recommendations to recognize these revenues as appropriate.

Recommendation: increase FY 2014-15 revenues by \$61,347 for FY 2013-14 Social and Employment Services revenues received after the accrual deadline.

SUMMARY OF PENDING RECOMMENDATIONS

Upon the completion of the Audit, staff will return to the Board for reprioritizations of the following additional recommendations.

- Emergency Communications Dispatch assignment (\$350,000).
- Emergency Communication NGEN assignment. (\$864,618).
- Remaining October 30, 2014 Priority List (\$10.0 million):
 - * Assign \$1,263,842 in FY 2013-14 to Vehicle Replacement Assignment
 - * Assign \$1,235,734 in FY 2013-14 to Laguna Seca Assignment
 - * Assign up to \$2,469,448 in FY 2013-14 to Automation Systems Assignment
 - * Assign up to \$1,025,966 in FY 2013-14 to the Termination Leave Assignment
 - * Assign up to \$3,000,000 in FY 2013-14 to Strategic Reserve
 - * Assign up to \$500,000 in FY 2013-14 to Public Safety Tax Assignment
 - * Assign up to \$500,000 in FY 2013-14 to Vehicle Replacement Assignment (replacement of Safety vehicles)