



Monterey County

Monterey Conference Room
Monterey County Government Center
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Budget Committee Report

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Matter Type: Budget Committee

- a. Receive a report that summarizes funding needs for ongoing projects: the top five (5) unfunded projects from FY 2019/20 Capital Improvement Plan (CIP), priority projects that arose after the Adoption of the FY 2019/20 Budget, projects that leverage outside funds, and the cash deficit from the prior year for the Lakes Enterprise Fund 452;
- b. Consider staff recommendation to add selected projects to the RMA Fiscal Year 2019/20 Work Program; and
- c. Consider staff recommendation regarding financing sources.

RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Receive a report on project needs for FY 2019/20, including funding needs for ongoing projects and prior year deficits;
- b. Support a recommendation to the Board of Supervisors adding selected projects to the RMA FY 2019/20 Work Program;
- c. Support allocating \$2,808,994 from Fund 401 (Unassigned Fund Balance), \$1,483,279 from Fund 404 (East/West Wing TI Savings) and \$3,589,449 from either General Fund Contingency or Cannabis Funds;
- d. Support a recommendation to the Board of Supervisors retroactively approving three road projects from the 2017 Winter Storm Projects (Hartnell Road, Palo Colorado MP 1-3.2, Metz Road) using Road Fund 002, Appropriation Unit RMA012 (\$576,108), with \$422,666 funded by FEMA and \$153,442 from Road Fund);
- e. Support retroactively approving seven 2019 Winter Storm Emergency Response Repair Projects; adding the projects to the County Capital List; and consider funding the projects using unprogrammed Highway Users Tax Account (HUTA) and Senate Bill 1 (SB1) revenues in Road Fund 002, Appropriation Unit RMA012 (\$1,325,000); and
- f. Support retroactively approving four 2019 Winter Storm Repair Projects-In Progress; adding the projects to the County Capital Project List; and consider funding them in Fiscal Year 2019/20 with unprogrammed SB1 revenues in the Road Fund 002, Appropriation Unit RMA012 (\$1,187,000).

SUMMARY:

Resource Management Agency (RMA) is the lead for managing capital projects for County facilities (roads, bridges, buildings, parks, grounds). RMA has refined and/or identified multiple capital project needs since the adoption of the Capital Improvement Program and FY 2019/20 budget. Recognizing that there are many needs and limited resources, this report consolidates and summarizes multiple funding needs so the Capital Improvement Committee, Budget Committee, and Board of Supervisors can see the overall picture of funding needs to make a more informed decision(s) regarding the use of

uncommitted Funds as potential financing sources. Staff developed this list based on its understanding of Board direction and input from the Capital Improvement Committee.

Recommended projects for facilities and roads to be added to the RMA 2019/20 Work Program include: additional funding needs for New Juvenile Hall Project; the top five ranked unfunded projects from the FY 2019/20 Capital Improvement Plan; developing temporary parking at Gabilan and Church Streets; completing environmental studies for the Carmel Lagoon Ecosystem Protection Barrier (EPB);, developing an ADA Transition Plan for Parks; East/West Wing Conference Room; performing multiple roof repairs on Park buildings; funding the prior year's deficit in the Lakes Enterprise Fund; and addressing damage to County roads resulting from Winter Storms in 2017 and 2019.

RMA staff worked closely with the County Administrative Office to recommend leveraging uncommitted funds from Fund 401, Fund 404, and Transient Occupancy Tax (TOT) that were set aside in FY 2019/20 to move forward with high priority projects as assigned by the Committees and the Board, lessening the impact on the General Fund or Cannabis Fund. Fund 401 and Fund 404 uncommitted fund balance available is \$3,626,712 (Fund 401-\$2,808,994; Fund 404-\$1,483,279). Even with leveraging the available uncommitted fund balance, there is still a need from either the General Fund or Cannabis Fund in the amount of \$3,589,449 resulting from additional costs estimated for the New Juvenile Hall Project (\$1,429,215), to cover the 2018-19 deficit for the Lakes Enterprise Fund 452 (\$2,131,440), and funding shortfall of the 1220 Aguajito Courthouse Boiler replacement (\$28,794).

Attachments A and A-1 provide a summary table that itemizes the projects that staff is recommending be performed in FY 2019-20 and suggested financing sources for consideration and discussion by the Budget Committee. Attachment B provides the beginning fund balance from Fund 401 and savings from the East and West Wing Tenant Improvement Project that staff is recommending as the financing source for several of the recommended projects in this report.

With the Road Fund receiving additional revenues as a result of Measure X, SB1, and HUTA staff has been able to perform the Winter Storm projects without borrowing funds from Natividad Medical Center. RMA is trying to manage within available resources (funding and project management capacity); therefore, staff does not anticipate needing to request discretionary funds for the projects recommended to be added to the FY 2019/20 Work Program. RMA is also working on plans for Phase II 2017 Winter Storm projects as part of the next CIP cycle. However, should the Board add more Winter Storm projects to the 2019/20 Workplan, then staff will need to reassess available funding sources.

DISCUSSION:

On June 19, 2019, the Board of Supervisors adopted a resolution approving the County of Monterey Five-Year Capital Improvement Program (CIP) for FYs 2019-20 through 2023-24.

The approved CIP prioritizes County projects essential to maintain and improve County infrastructure and facilitate the orderly implementation of the County General Plan. In response to the CAO request for a consolidated report of its project funding needs, RMA has added several projects excluded from the approved CIP or that were approved but not funded and other projects that either leverage

outside funds or that were identified after the FY 2019-20 Budget was adopted. Attachment C describes these projects also recommended to be completed in the current fiscal year. Where available, staff has attached committee reports providing in-depth discussion about the particular project(s) placed on hold by the CAO until the RMA could bring forward a comprehensive summary of its project funding needs.

Due to the project delays in the New Juvenile Hall Project, the County is incurring additional costs. These additional costs are resulting from contractor change orders, scope omissions, owner-requested changes, and increased soft costs. At this time, all the project contingency has been exhausted, requiring the County to contribute additional discretionary funds until the project is completed. Staff is requesting an additional \$2,912,494 over and above the \$911,644 approved a few months ago. Working with the CAO, RMA is requesting to use the balance of the unused discretionary fund savings from the East/West Wing Tenant Improvement Project. Its total estimated savings were \$2,394,923, of which the Board has already authorized \$911,644 [June 2019 (\$320,681)/July 2019 (\$590,963)], leaving a balance of \$1,483,279. Staff is requesting to use \$1,483,279 of the residual savings from the East/West Wing Tenant Improvement funds, leaving a balance of \$1,429,215 that will need to be funded by either General Fund contingencies or cannabis funds.

There are four projects being recommended by staff as they leverage funds from outside sources. These include the King City and Monterey Courthouses, as well as the Carmel Lagoon EPB. Combined, the County could receive reimbursement of up to \$665,511. While the County would be eligible for reimbursement, RMA is requesting the full funding amount for these projects as the County cash-flows projects upfront and gets reimbursed afterwards.

As mentioned earlier, there are more needs than funds available. RMA is recommending moving forward with these higher priority projects as these projects have been scoped and estimated. There are other projects that have been brought forward to the RMA from other Departments such as 911, District Attorney, and Library that staff is working on determining the scope and costs. Should these projects qualify as capital projects, they will be included in the Annual CIP that will commence in November 2019.

RMA requests that the Budget Committee support the addition of the projects identified in Attachment A and A-1 to the RMA Fiscal Year 2019-20 Work Program and provide direction on preferred financing sources to fund these projects in the current fiscal year. RMA will present this item to the Board of Supervisors for consideration on November 5, 2019.

OTHER AGENCY INVOLVEMENT:

This report was prepared in response to direction received from the CAO to provide a comprehensive summary of RMA's project funding needs to the Committees and Board of Supervisors. On October 14, 2019, the Capital Improvement Committee recommended prioritized funding of Parks Roof projects. Due to late submission of this Budget Committee Report, the CAO Budget and Analysis Division was not provided adequate time to fully review for potential fiscal, organizational, policy or other implication to the County of Monterey.

FINANCING:

As projects, these are one-time costs. **Attachments A and A-1** provide a comprehensive matrix of RMA's project needs as well as potential financing sources for the Budget Committee's consideration and discussion. Effective July 1, 2019, Fund 401 is no longer being used, and maintenance projects that do not qualify as capital projects have been moved under the General Fund within the Facilities Maintenance budget. RMA working in collaboration with the CAO is recommending utilizing the uncommitted fund balance from Fund 401 as the financing source to complete the top five unfunded projects from the FY 2019/20 CIP as well as other projects that arose after the adoption of the FY 2019/20 budget. FY 2019-20 estimated beginning Fund 401 fund balance was \$3,465,837. After the recently approved match funds of \$656,893 for the HEAP grant to build a permanent shelter, the uncommitted balance is \$2,808,994. Staff is recommending exhausting the remaining fund balance in Fund 401. Also, staff is recommending exhausting the unused discretionary fund savings from the East/West Wing Tenant Improvement Project in the amount of \$2,394,923, of which \$911,644 has already been allocated toward the New Juvenile Hall Project. While staff is not requesting General Fund Contingencies or Cannabis funds for the Winter Storm projects, staff is requesting the to use the TOT funds that were set aside in a Roads Capital Fund beginning in FY 2019/20 totaling approximately \$900,000. As of the writing of this report, the General Fund Contingencies balance is \$4,487,868. As of June 30, 2019, the Cannabis Assignment Balance was \$15.6 million.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This report provides recommendations regarding improvements for accessibility and health and safety of County facilities. Provision of adequate County facilities and infrastructure increases accessibility and safety, enhances the work environment for County staff and accommodations for occupants, and improves the quality of life for County residents while supporting economic development.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments:

- Attachment A: Facilities and Parks Capital Project Listing
- Attachment A-1: Roads Capital Project Listing
- Attachment B: Fund 401 and 404 Funds Balance Proposed Project Allocations
- Attachment C: FY 2019/20 Capital Needs Project Descriptions