Monterey County Financial Forecast

March 2019

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 year, budget year (FY 2019-20), 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 resumes. Developing a three-year forecast provides a window of opportunity to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure financial sustainability of the County. Similarly, the forecast also serves as a tool for the upcoming budget to assess the impact that decisions made in the present, such as considering a new revenue source or the funding of a new program, will have on future fiscal balance.

The forecast includes employee salary and benefits changes as authorized under existing memorandums of understanding (MOUs) and scheduled employee step advances. The forecast also takes into consideration known increases in PERS retirement rates and health insurance premiums. Revenue estimates are based on the most recent financial data and available information about federal and State funding levels. The forecast compares expenditures required to carry out existing operations related to estimated financing sources. This analysis is a key financial management tool to guide the upcoming budget process and help preserve long-term financial stability.

General Fund Outlook through 2021-22

	FY 2017-18	FY 2018-19			FY 2019-20	FY 2020-21	FY 2021-22
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Financing Sources:							
Beg. Unassigned Fund Balance	$ 8.7	$ 2.3	$ 2.3	$ 3.9	$ -	$ -	$ -
Cancellation of Restricted Fund Balance	9.4	0.8	0.9	0.9	-	-	-
Cancellation of Assignments	20.5	15.1	20.5	18.7	-	-	-
Revenues	659.9	658.9	661.1	655.4	659.5	668.4	679.3
Total Financing Sources	**$ 698.5**	**$ 677.1**	**$ 684.8**	**$ 678.9**	**$ 659.5**	**$ 668.4**	**$ 679.3**
Financing Uses:							
Restricted Fund Balance	$ 26.0	$ -	$ -	$ -	$ -	$ -	$ -
Assignments	23.8	-	-	3.1	-	-	-
Strategic Reserve	17.2	-	-	10.0	-	-	-
Expenditures	627.6	677.1	684.8	665.7	687.9	707.1	731.0
Adjustment - Est Salary Savings	-	-	-	-	*(14.3)*	*(14.7)*	*(15.2)*
Total Financing Uses	**$ 694.6**	**$ 677.1**	**$ 684.8**	**$ 678.8**	**$ 673.6**	**$ 692.4**	**$ 715.8**
Ending unassigned fund balance	**$ 3.9**	**$ -**	**$ -**	**$ 0.1**	**$ (14.1)**	**$ (24.0)**	**$ (36.5)**

Positive prior year performance results in an operating surplus. Through the Board's leadership, and departments diligently managing increased costs within constrained budgets, the general fund outperformed budget expectations, resulting in an operating surplus in the year ending June 30, 2018. The Board prudently invested this surplus by restoring $10.0 million to the Strategic Reserve. Meanwhile, Natividad Medical Center added $7.2 million to its strategic reserve. An additional $14.0 million was added towards the cannabis "assignment". These investments will help the County weather future unforeseen events and meet emerging needs. While the prior year ended in a surplus, the unassigned fund balance includes $2.3 million that was carried forward from the prior year and has already been obligated in the FY 2018-19 adopted budget to fund one-time expenditures. Therefore, only $1.6 million of the unassigned fund balance is truly available in the current year.

The general fund is expected to outperform expectations in the current year. The responsible stewardship of County finances is evident in the current year, with the County forecasting a $10.1 million improvement compared to budget. Due to anticipated positive year-end results, the forecast assumes an additional $10.0 million will be added back to the Strategic Reserve consistent with prior Board direction. Departments expect to end the current year with expenditures $19.1 million below budget with a decrease in estimated year-end revenues of $5.7 million. The decrease in expenditures is mostly due to salary savings for unfilled positions, as departments seek to curtail expenditures in impacted programs or encounter recruitment challenges, which also decreases reimbursement-based revenues from federal and State agencies. The forecast assumes $3.1 million will be transferred to restricted fund balance at year-end due to funding constraints associated with these monies.

Discretionary revenues continue to climb in the current year. Underlying the favorable current year performance is continued growth in discretionary revenues as the economy enters its tenth year of expansion. Discretionary revenue is forecasted to grow $6.2 million over budgeted expectations adopted last June, thanks to a 6.0% rise in assessed property tax values and a new record high in transient occupancy tax (TOT) revenue collections. These discretionary revenues have grown $52.3 million (32.0%) since the recession and have been allocated through the annual budget process to help programs keep up with rising costs, provide modest wage increases, and protect employee benefits.

Unfunded needs in the current year exceed $5.1 million. The expected current year surplus does not take into account various emerging and unfunded needs. These needs include the addition of custody staff to prepare for the expanded jail, various unfunded conservation and flood prevention projects, and capital needs at the Lakes Resorts. These unfunded needs total $5.1 million and do not include to be determined costs for repairing South County dams or cost overruns in building the new Juvenile Hall.

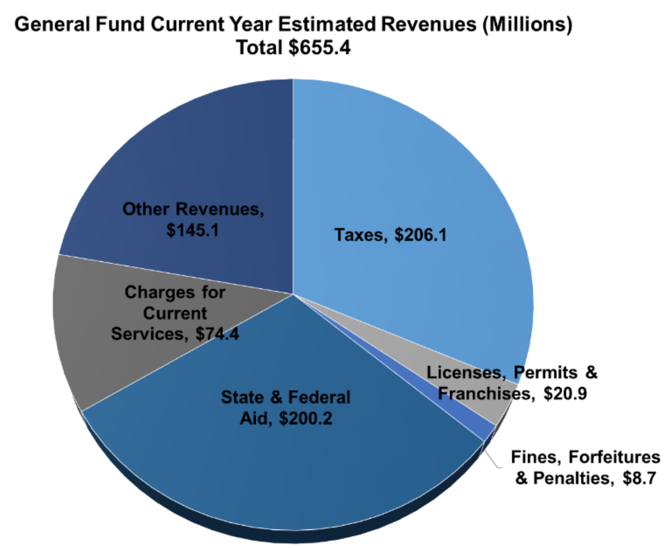
PERS rate increases drive deficits in Departmental forecasts. Forecasts generally assume vacancies are filled while experience tells us that, in reality, savings consistently occur due to attrition and turnover. As such, the County Administrative Office (CAO) added a salary savings adjustment that lowers overall projected expenditures by $14.3 million to $15.2 million annually by the end of the forecast period. After making the salary adjustment, the forecast reveals a forecasted deficit of $14.1 million next fiscal year, growing to $36.5 million by FY 2021-22. The majority of these deficits are driven by higher contribution rates going towards paying down CalPERS' large unfunded pension liabilities and, to a lesser extent, continued increases in the County's general liability insurance program. Additionally, ongoing expenditures for 22 FTEs and services restored through budget hearing modifications using one-time funding are responsible for $3.5 million in projected funding gaps. Even with a salary adjustment, County staff err on the side of caution by being 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, unfunded needs discussed later in the report, changes in federal or State financial commitments, or revenue declines in an economic downturn.

Next year, there will continue to be major needs for which funding has not been found. Funding of $5.9 million is needed next fiscal year to cover the gap for State redirection of AB 85 Realignment Funds which support health programs and the inmate healthcare program. Other unfunded needs include $2.1 million for additional staffing needed to operate the jail expansion, continuing flood prevention efforts, building a reserve fund for the next ERP upgrade, and capital projects and staffing costs at the Lakes Resorts and the to-be-determined spending to repair South County dams. These unfunded needs excluded from the forecast total $11.5 million and exclude Juvenile Hall project cost overruns and the $20.0 million needed to bring the Strategic Reserve up to the policy target.

Prudent financial decisions will be needed to allocate available resources for competing needs. 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 re-building its Strategic Reserve, maintaining infrastructure, and paying down unfunded liabilities. Unfunded liabilities include a $627.6 million gap between expected pension costs and assets available to pay those costs, as well as unfunded liabilities for retiree health and vacation accruals totaling $39.9 million and $41.1 million, respectively. 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. While growth is assumed, the risk of a recession remains considering the U.S. is entering its 10th year of expansion. To tackle these issues, the County has a Board with a proven track record of successfully managing fiscal challenges and an organizational culture that finds ways to re-balance operations to live within our means.

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 the 911 consolidated dispatch center, and other revenues include primarily reimbursement from realignment funds for health, social services, and public safety programs.

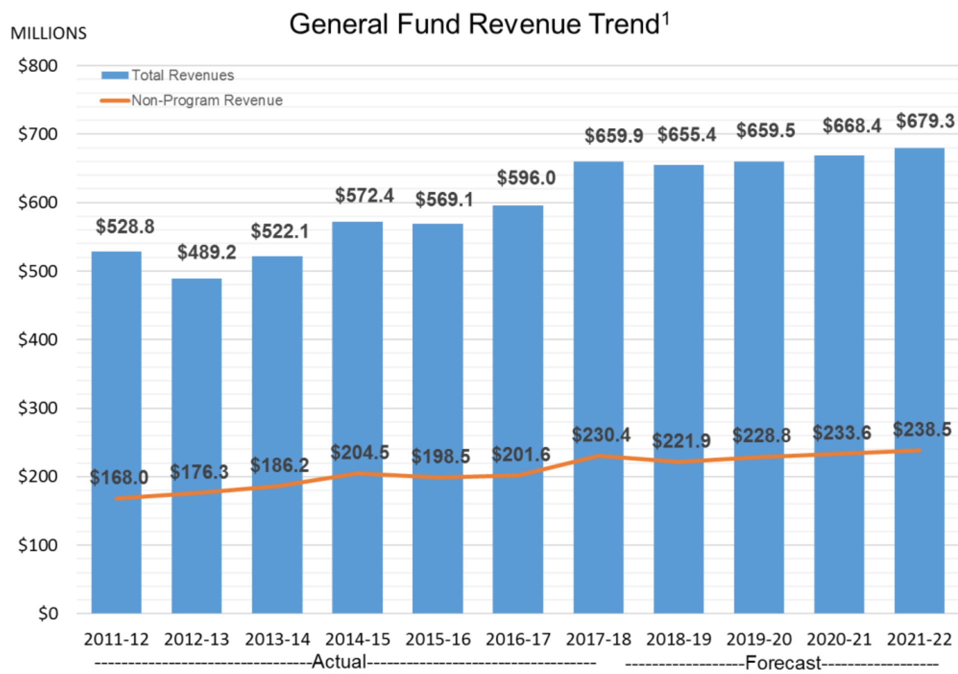


Non-program or "discretionary" revenues are mostly derived from taxes and are utilized to address local priorities and to provide funds to leverage federal and State monies, including maintenance of effort requirements.

Current year revenues are $5.7 million below budget expectations. The major causes of the decrease in revenue in the current year include:

- **Revenue in the Health Department is $6.3 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 as they are unable to fill vacancies in primary care clinics.
- **Lower reimbursements expected in Social Services due to lower caseloads:** The Department of Social Services is estimating a $3.0 million decrease in State and federal reimbursements with some corresponding reductions in expenses due to lower caseloads in entitlement programs such as CalFresh and CalWorks.
- **Revenue in Resource Management Agency is $3.0 million below budget:** The Resource Management Agency included an increase in revenues from fees, mostly construction and zoning permits. The increase over the prior year assumed a 5% fee increase would be approved by the Board as of the beginning of the year. However, as of the writing of this report, the Department was in the process of revising its fee schedule and has not taken updated fees to the Board for approval.

Overall reductions in revenue were offset by a $6.2 million increase in County discretionary revenues, mostly for higher than budgeted property tax receipts and TOT. The graph below illustrates the general fund revenue trend based on actual performance and forecasted amounts:



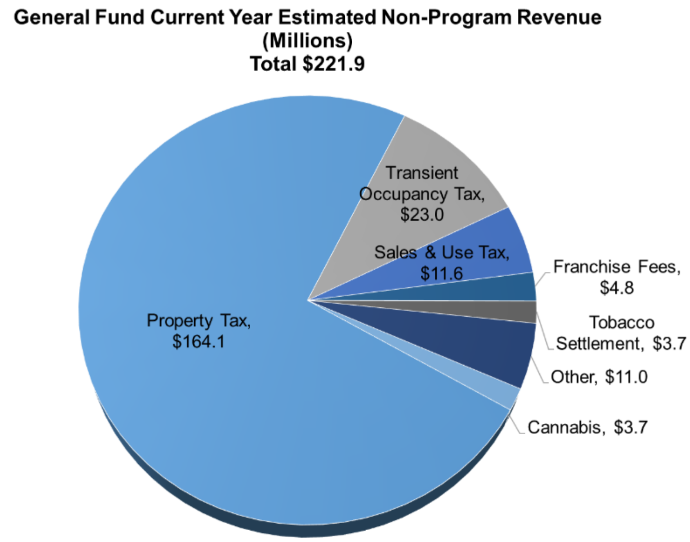
[1] FY 2017-18 included $14.9 million increase in growth from cannabis revenues. FY 2018-19 non-program revenue estimates include $3.7 million in cannabis revenues to support the cannabis program.

Forecasted years assume modest growth in revenues. Departments balance their budgeted expenditures based on a combination of revenues earned directly by the program (State reimbursement, permit fees, clinic charges, etc.) and County contributions of discretionary "non-program" revenue. Since FY 2012-13 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. The chart on the previous page reflects the overall general fund revenue trend and the non-program revenue trend, which accounts for one-third of general fund revenues. For FY 2019-20, general fund revenues grow $4.1 million (less than 1%) over current year expectations, as a 1.0% decline in estimated program revenue is offset by an increase in non-program revenue, specifically property taxes.

Discretionary Revenues

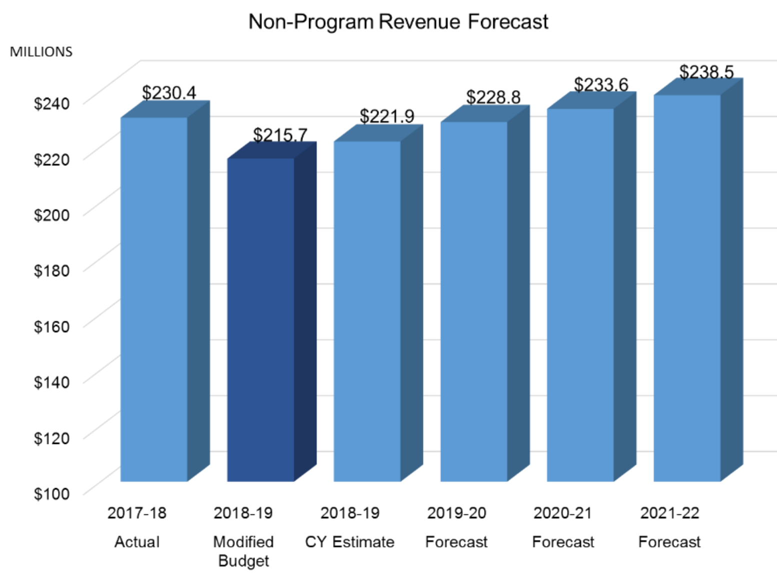
Discretionary revenues provide the Board flexibility to address local priorities and to provide matching funds to leverage federal and State monies and to meet maintenance of effort requirements.

Property tax revenue comprises the bulk 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 $221.9 million.

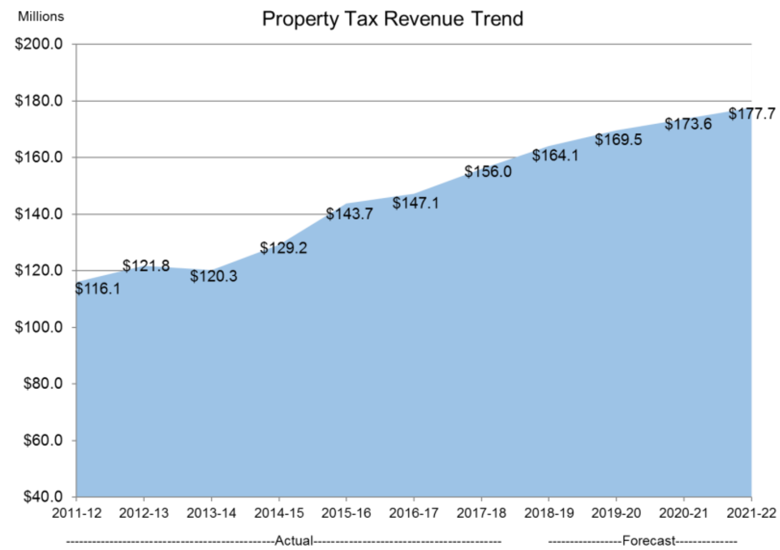


Property tax revenue is the largest source of non-program revenue, projected at $164.1 million (74%) of current year estimated non-program revenue. Other significant sources of discretionary revenue include: $23.0 million in TOT; $11.6 million in sales and use tax revenue; franchise fees of $4.8 million and tobacco settlement monies of $3.7 million. While property tax revenues are on the rise, PG&E's bankruptcy could impact property tax revenue and franchise fee collections for counties throughout the State. Staff will be monitoring this development for potential impacts to the County.

Discretionary revenue continues to grow in coming years. The chart to the right reflects the projected non-program revenue in the current year, budget year (FY 2019-20) and two out years. Projected current year non-program revenue is above budget mostly due to better than expected property tax collections, which are estimated to increase $2.4 million over budget, $1.1 million increase in TOT, and recognition of $1.0 million in additional cannabis revenue to fund program-related staffing.

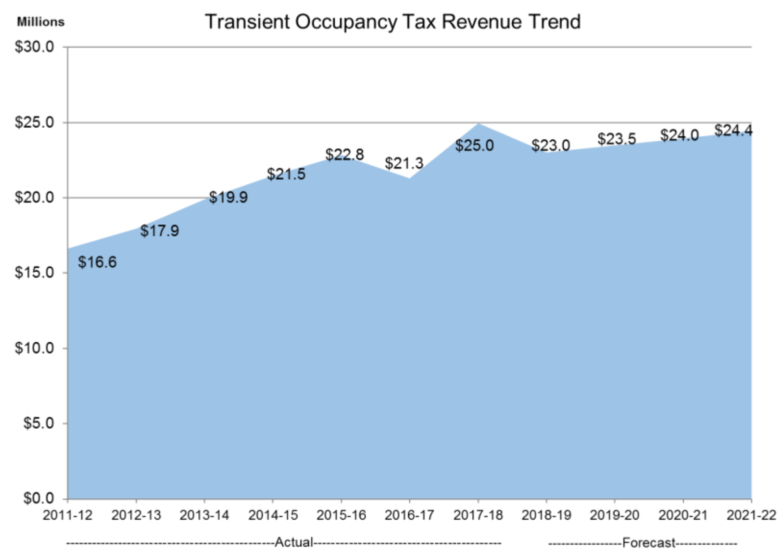


The forecast assumes continued growth in non-program revenue primarily due to positive trends in property tax collections resulting from higher assessments. Next fiscal year, non-program revenue grows $13.1 million over the current adopted budget. Growth in the two out years is projected at approximately $4.8 million and $4.9 million respectively.



Continued increases in property assessments drive discretionary revenue growth. 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.

The adopted budget assumed a 5.0% increase in assessed values for FY 2018-19. The current year estimate reflects a 6.0% increase as reported by the County Assessor's Office. The forecast assumes a 5.0% growth in assessments next fiscal year, which produces $5.4 million growth in property tax revenue. The two out years include a more conservative growth assumption of 2.5% each, yielding additional revenue of $4.1 million each year.

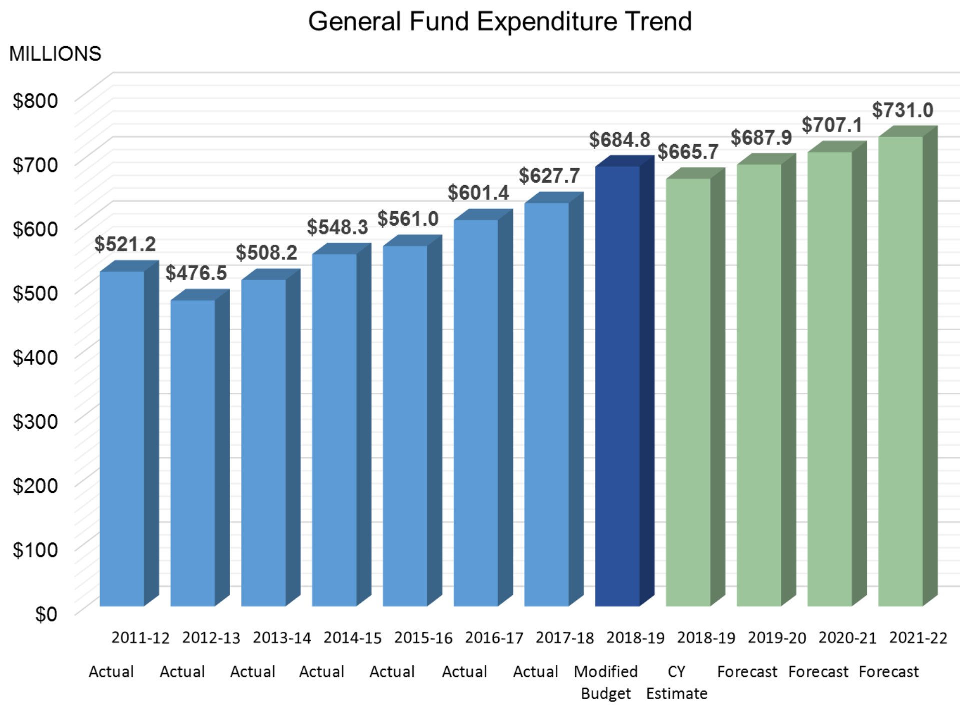


Transient Occupancy Tax receipts rebound after impacts of natural disasters. TOT is the County's second largest source of discretionary revenue. Often referred to as the "hotel tax," TOT is the tax applied on hotel/motel accommodations. Various tourist attractions contribute to the County's TOT, including the County's Laguna Seca Recreation Area (LSRA), which is responsible for generating roughly $1.6 million in TOT. The tax rate for Monterey County is 10.5%. Last fiscal year, TOT revenues increased $3.7 million which was attributable to the recovery in the peninsula from wildfire and storm-related damage and road closures as well as successful efforts by the Treasurer-Tax Collector in recuperating one-time collections for non-complaint Short Term Rental operators. The current year estimate assumes a 5.0% increase over last fiscal year as revenue receipts in the 1st quarter outperformed expectations attributed to positive economic conditions and the continued efforts of the Treasurer-Tax Collector to improve compliance. As of the writing of this report, 2nd quarter TOT results were unavailable. To the extent TOT revenue receipts see an increase or decrease over prior year results, budget year revenue estimates may be adjusted. TOT is estimated at $23.5 million next fiscal year and growth is projected at 2% in the two out years.

Cannabis revenues to support on-going cannabis program. The adopted budget included $2.7 million in cannabis revenues to support 13 FTEs for the implementation of the County's Cannabis Program. Services and equipment in various County departments were also funded to carry out the program, some of which included: Accela automation program, new vehicles in the Sheriff's Office and lab analysis in the Health Department. In the current year, the Board authorized an additional eight FTEs and other services for an additional increase of $1.0 million in cannabis revenues. In total, 21 positions have been added towards the County's cannabis program at a cost of $4.4 million. Cannabis revenues are estimated at $4.4 million next fiscal year for on-going support of cannabis program staffing and services with no growth assumed in the two out years.

General Fund Expenditures

The FY 2018-19 adopted budget included appropriations of $677.1 million. The modified budget is $684.8 million, including modifications of $7.7 million over the course of the year primarily due to $1.0 million in additional staffing to support Cannabis Program enforcement and compliance efforts and an increase of $5.3 million to address a deficit in the ERP fund.



Current year expenditures are estimated at $665.7 million, or $19.1 million below budgeted expenditures. The primary factor decreasing expenditures in the current year is salary and benefit savings of $24.0 million resulting from vacancies across the County. At the writing of this report, the County had an overall 10.5% vacancy rate. There are an estimated 358 vacancies in the general fund, with an annualized value of $43.3 million next fiscal year. Of these vacancies, over half reside within the Health Department and Social Services. To the extent these departments fill vacant positions, they would likely qualify for some level of reimbursements from State and federal agencies. Conversely, vacancies in these departments do not translate into County savings to the extent departments cannot seek reimbursement from State and federal agencies for costs not incurred. The same holds true for departments with grant-funded vacancies, as in the District Attorney's Office, or departments that share cost with other payors, such as Emergency Communications.

Departments generally assume in their forecasts for next fiscal year that all vacancies are filled at top step. The conservative estimate illustrates potential increases in expenditure levels; however, Departments will curtail actual expenditures to available funding. As responsible fiscal stewards, Departments make operational changes if funding levels are constrained, including delaying hiring of vacant positions. As such, an adjustment for salary savings is made in the forecast years. This adjustment is discussed later in report.

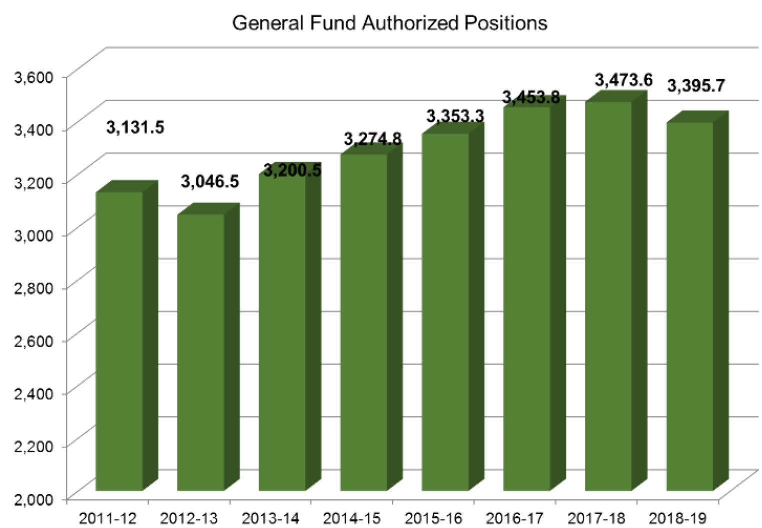
One-time and on-going expenditures in the current year are financed with fund balance. The FY 2018-19 adopted budget included $18.2 million use of fund balance to cover one-time and on-going expenditures. Such expenditures include Laguna Seca Track repairs ($6.4 million), the contingencies appropriation ($5.4 million), IT needs, and the Interlake Tunnel & Spillway project ($445,897). On-going expenditures directed during the June 2018 budget hearings include: restoration of 12 FTEs in the Department of Social Services for the Children's Emergency Response Team, Adult Protective Services, and Community Action Services as well as funding for DSS's Whole Person Care/homeless service providers, Emergency Women's Shelter and Veteran's Stand Down event ($2.6 million); restoration of 7 FTEs in the Health Department Public Health programs ($1.0); restoration of 1 FTE in the County Administrative Office – IGLA ($140,569); and restoration of 2 FTEs in the Public Defender's Office ($233,384).

While one-time expenditures go away in the upcoming year, the ongoing costs to support the 22 FTEs added during budget hearings will consume some of next year's expected gain in dicscretionary revenue. In addition, major cost drivers such as pension contributions, healthcare costs, general liability, and workers' compensation will exert additional financial pressure, as discussed in detail in the following section.

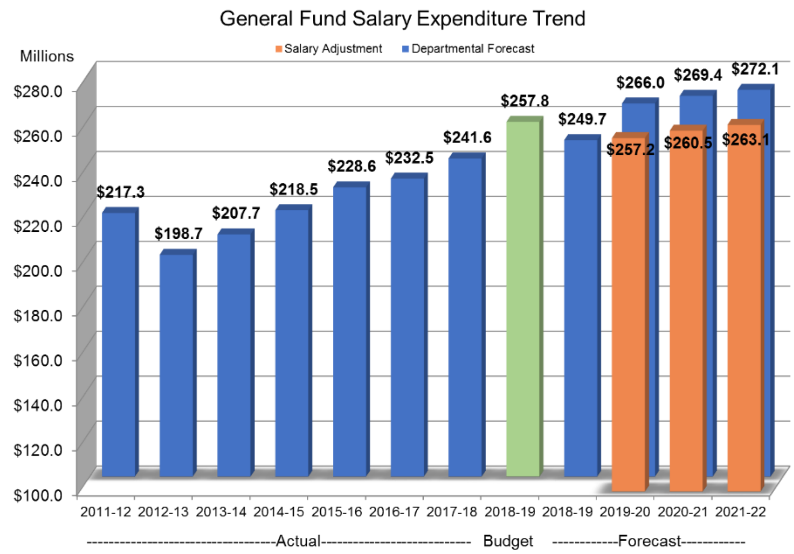
Major Cost Drivers

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

Growth in ongoing salary cost. The current year represents the last year of wage increases approved by the Board in FY 2016-17. The Board of Supervisors approved wage increases for most labor groups of 1.5% in the first year, 2.5% in FY 2017-18 and 3.0% in the current year. Most safety bargaining units received increases of 2.5% in the first year, 2.5% in FY 2017-18, and 3.0% in the current year. Independent of position growth, over the course of the prior three fiscal years, wage increases will have added $19.3 million in cost to the general fund.



Between FY 2012-13 and FY 2017-18, general fund positions increased year-over-year, with a total of 427.1 general fund positions added. However, FY 2018-19 was the first-year general fund positions experienced an overall drop. The recommended budget included a reduction of 144.2 positions in the general fund. While one-time financing solutions were identified to minimize the impact of position reductions to County services, including departments making reductions to non-core services and identifying other areas of budgetary flexibility, the final adopted budget still included a reduction of 77.9 positions in the general fund due to mounting cost pressures. Despite the reduction in total general fund positions, salary cost continue to increase over prior year cost for step advances and salary increases as this is the last year of the current bargaining agreements.

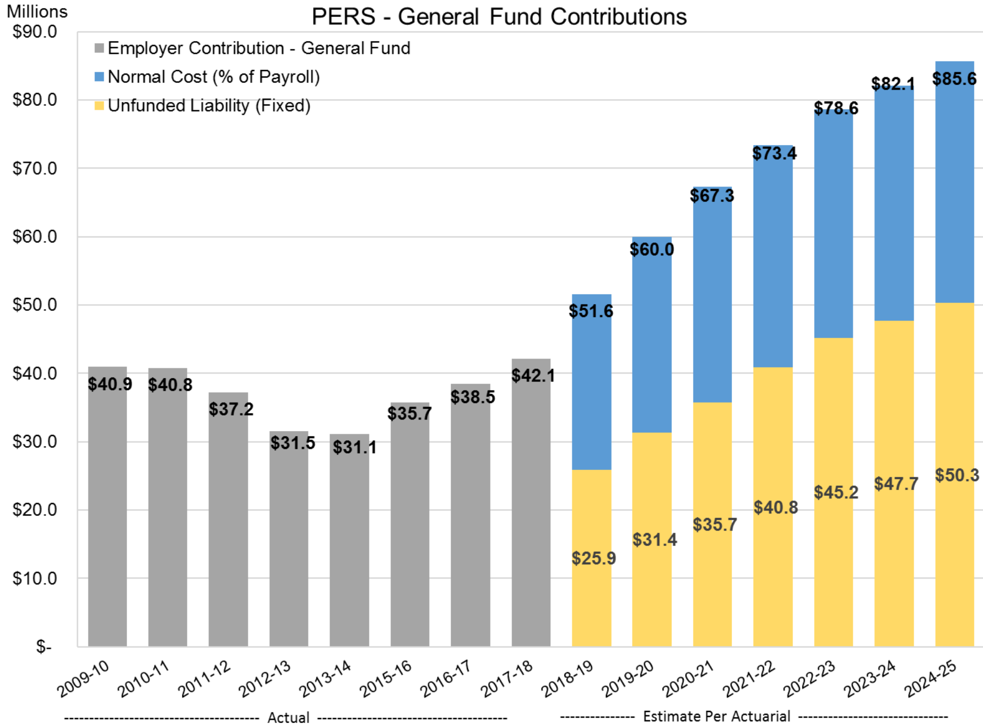


Departments estimate salary expenditures increase from $249.7 million in the current year to $272.1 by FY 2021-22. However, as mentioned earlier in the report, departments generally forecast all vacancies are filled and at top step. Recognizing that departments manage their budgets to anticipated funding levels, and thereby make changes to their operations – including delaying hiring, and savings in salaries will consistently occur due to attrition and turnover, the forecast added a salary savings adjustment to more closely illustrate prior years' experience in salary expenditures. Taking the salary adjustment into consideration, salary expenditures increase to $263.1 million by FY 2021-22. The forecast does not include future wage increases for labor agreements.

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

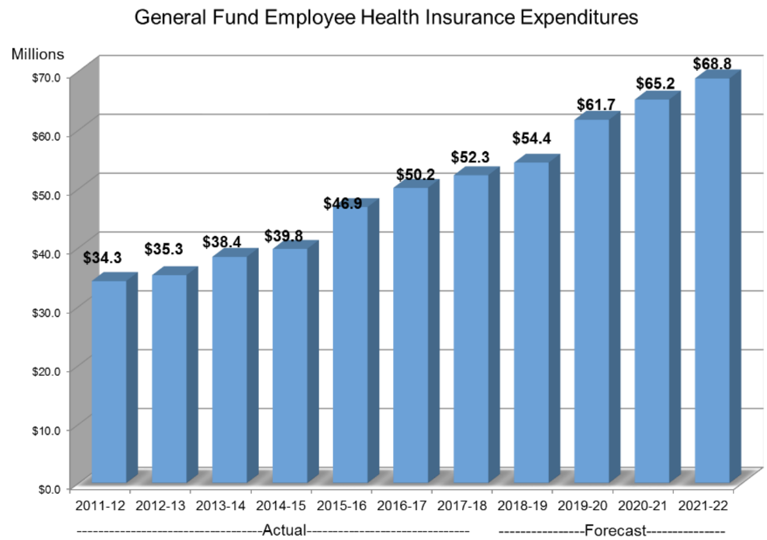
- Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.
- Change to fixed dollar contribution for the unfunded liability portion, rather than as a percentage of payroll, to prevent potential funding issues that could arise from a declining payroll.
- 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 future plan changes, no changes in assumptions, and no liability gains or losses. Specifically, investment returns falling below the assumed rate of return, which will increase contributions. Should there be any changes to the aforementioned, these will have a direct impact on required contributions.

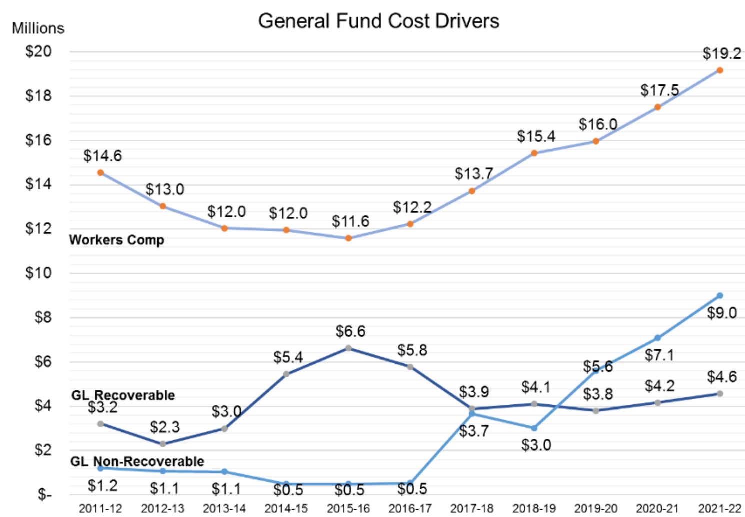


Sharp increases in pension contributions. General fund contributions increase $8.4 million next fiscal year (almost doubling the FY 2013-14 level) and grow $34.0 million by FY 2024-25. The most significant change impacting contributions is the reduction in the "Discount Rate," which reduced the assumed rate of return by CalPERS from 7.50% to 7.0% over three years, increasing agencies' unfunded liabilities. The change was made by CalPERS due to expectations of lower investment returns. A lower discount rate – while shoring up the pension fund and reducing the risk of funding issues and cash flow gaps – increases employers contributions. The contributions for FY 2018-19 are based on a 7.25% discount rate; contributions for next fiscal year will be based on a 7.0% discount rate. The projections in the chart above are based on CalPERS actuarial valuations, which are built on actual payroll data obtained by CalPERS, and therefore, based on existing levels of filled staffing.

Pension costs continue to be a primary cost driver for most local government agencies in California. Acknowledging the impact of these future costs, specifically CalPERS unfunded liability portion, the Governor's proposed budget for FY 2019-20 includes supplemental contributions to reduce the State's unfunded liability. CalPERS offers this option to local public agencies as well. The County's current unfunded liabilities of $627.6 million already represents an entire year's general fund budget.



Increased health insurance premiums place fiscal pressure on County. Health care costs have grown $18.0 million since FY 2011-12 and are forecasted to increase another $16.5 million over the next four fiscal years. Increasing health care costs have contributed to the fiscal pressures faced by departments and have impacted programs. The County has absorbed rate increases, rather than pass the cost to employees, resulting in additional expenditures. In the current year, health costs are estimated at $54.4 million, or $2.1 million over last fiscal year. The Human Resources Department is anticipating an 8.0% annual growth for FY 2019-20 and the remainder of the forecast period based on historical experience. Based on new information received the day of publishing this report, CalPERS is considering a new "three-region pricing" model in which rates for Monterey County could increase more than 10% on January 1, 2020. In addition to rate increases, the present liability for retiree health expenses is $39.9 million.



Costs to run internal service fund programs increase. The workers' compensation program is increasing its allocated costs to departments by $0.6 million next fiscal year with projected increases doubling in the out years of the forecast due to a 10.0% increase in costs per year based on the most recent actuarial reports. The general liability program's allocated costs to departments increase $2.3 million in FY 2019-20 with similar increases in the out years to pay down unfunded liabilities associated with legal settlements. While recoverable costs are expected to increase 10% in FY 2020-21, non-recoverable costs increase 30% that same year. Both workers' compensation and general liability allocation estimates are based on a 70% confidence level.

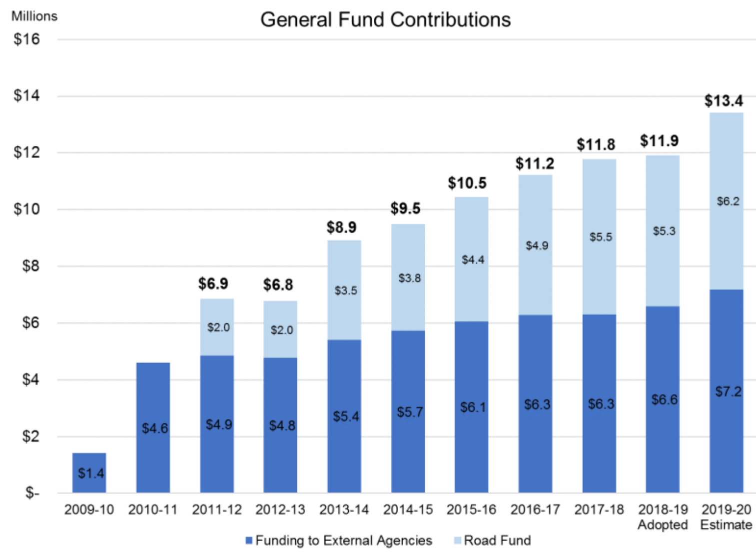
Funding Commitments

In addition to operational cost drivers, County policy provides for funding towards external agencies and to the Road Fund. Funding agreements are based on percentage formulas, which have generally resulted in increased annual contributions in recent years. These commitments total $11.9 million in FY 2018-19 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. 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 return to formula based and include $2.0 million from TOT. Next year, contributions are estimated at $2.3 million.

- **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 2018-19 contributions to user agencies of the 911 center total $1.6 million and the allocation to the fire districts is $3.0 million, a combined increase of $179,631 over the prior year. Next year, contributions are estimated at $3.1 million for fire districts and $1.7 million for user agencies.

- In FY 2013-14, the Board adopted a policy to contribute a percentage of TOT revenue to the Road Fund, recognizing that well maintained roads are vital to the local economy. The FY 2018-19 contribution is $5.3 million, an increase of $3.3 million since the policy was adopted. Next fiscal year, the estimated contribution to the Road Fund is $6.2 million, which is based on FY 2017-18 actual TOT revenues. Part of the contribution covers the Maintenance of Effort (MOE) requirement for Measure X funding, which is estimated at $5.2 million next fiscal year.



Emerging Countywide Needs

The following table summarizes emerging unfunded needs that will require budget solutions beginning in the current year and emerging costs next fiscal year. These known costs total $5.1 million in the current year and grow to $52.8 million in the general fund next fiscal year if one includes the funding needed to restore the Strategic Reserve to its policy target.

Resource Allocation Needs	FY 2018-19	FY 2019-20
Included in Forecast:		
Continuing support of 22 FTEs added in June 2018 budget hearings with one-time funding.	$0	$3,493,085
State Redirection of AB 85 Realignment Funds	-	5,905,990
PERS Contribution Increase	-	8,420,785
Employee Health Insurance Increase[4]	-	2,372,059
In-Home Support Service Negotiations	216,581	1,017,157
Land Use Conservation Projects	-	110,000
	216,581	**21,319,076**
Not Included in Forecast:		
Bargaining Agreements	-	TBD
Jail Expansion Staffing	245,297	2,064,744
Juvenile Hall Project Overrun[1]	TBD	TBD
Land Use Conservation Projects[3]	1,159,470	470,000
Strategic Reserve Deficit	-	20,000,000
Lake Nacimiento Capital Needs	1,345,507	1,593,897
Lake San Antonio Capital Needs	2,175,000	2,350,000
Lake San Antonio Staffing	-	1,019,111
ERP Upgrade Reserve	-	4,000,000
Storm Damage Repairs[2]	-	Ongoing
Dams and Spillway Repairs	TBD	TBD
WRA Habitat Conservation Plan	-	TBD
	4,925,274	**31,497,752**
Total	**$ 5,141,855**	**$52,816,828**

[1] Liability for contractor under review.

[2]. Utilizing County financing pending State/federal disaster reimbursements.

[3]. Includes Salinas Valley Groundwater Basin Study, tide gate repairs, Carmel River floodplain restoration, Carmel Lagoon Sandbar management, local coastal program update, and general plan implementation.

[4]. Cost represents half-year (January 1, 2020 - June 30, 2020) based on forecasted increase of 8%. Annualized cost is $4,744,118.

One-time funding solutions to restore 22 County positions. Due to budget constraints, the general fund recommended budget included a reduction of 144.2 positions. During budget hearings, the Board approved restoration of 22 positions throughout various departments using one-time funds. Restored positions represent $3.5 million in on-going general fund cost next fiscal year.

State redirection of AB 85 Realignment monies supporting indigent healthcare. AB 85 was implemented in 2013 to capture savings related to indigent medical care in the *1991 State Health Realignment* and redirect county "savings" to social services programs. Last fiscal year, the reduced funding impacted the Health Department and the Sheriff's Office. Loss of this funding impacted health programs such as the Whole Person Care pilot program, targeted case management, and laboratory services. For the Sheriff's Office, while the funding partially supported the inmate medical program, the Office managed to backfill the shortfall in health realignment funding through use of AB 109 funds.

In the current year, the Health Department used one-time funding solutions to close a funding gap of $3.2 million and restore 45 positions utilizing "realignment" fund balance along with allocations from the appropriation for contingencies. Next fiscal year, AB 85 revenue redirection is estimated at $5.9 million. The Department anticipates continued use of fund balance as a mechanism to support on-going positions; however, this does not include $1.0 million used from contingencies for positions in public health or $541,454 in realignment funding in Animal Services.

Employee Health Insurance Increase. Health Insurance rates are forecasted to increase 8% beginning January 1, 2020. Next year, this increase represents $2.4 million in cost for half of the fiscal year (January 1, 2020 – June 30, 2020). Recently, the CalPERS board approved a new three-region pricing model to align health insurance premiums to health care costs within each region. This new model could result in a 10% increase in rates.

In-Home Support Service Negotiations. The current MOU with local homecare workers providing IHSS services expired June 30, 2018. The County has been in negotiations for a new MOU and the amounts listed in the table above represent the County's share of estimated wage increases.

Additional staffing to operate new Jail Expansion. In 2011, the Board approved construction for a jail housing addition. The project will provide 576 new beds and is expected to be completed in August of 2019. The opening of the new facility will require additional staffing to meet statutory, regulatory and case decisions that govern requirements at the jail. The Sheriff's Office is estimating a net addition of 21 FTEs with a cost of $245,297 to hire 6 Deputy recruits in the current year to go through the academy and be fully trained by the time the addition is complete. In addition, custody control specialist and inmate control specialist would be hired a few months ahead of the project completion. The FY 2019-20 estimate of $2.1 million represents the full year cost for the Sheriff's Office staffing plan.

Juvenile Hall Project schedule delays and overrun cost. In 2013, the Board approved construction for a new Juvenile Hall. The project is currently behind schedule. There are two phases to the project. The contractor is currently behind schedule for Phase I and Phase II does not begin until Phase I is complete. Phase I was anticipated to be completed by July 2018. RMA staff estimate Phase I will be complete in June 2019. With the delays in the schedule, there are change order requests that have been submitted by the contractor. Year to date actuals through November 2018 include $3.0 million in approved change orders. Staff has denied several requests and continues to negotiate submitted change orders. In addition to change orders, the contractor has submitted claims with an unknown amount. RMA is assessing what they believe to be the total funding needed to complete both phases of the project and to what extent the County may be liable for cost overruns.

Land Use Conservation Projects. The Resource Management Agency is tasked with completing various land use conservation projects for which augmentation requests were submitted but not included in the adopted budget for FY 2018-19, including: completion of a five year Salinas Valley Groundwater Basin Study, Elkhorn Tide Gate Permanent Repair – Phase III, funding for permit and design review of the Carmel River Floodplain Restoration Project (CRFREE), management of the Carmel Lagoon Sandbar to flood protection/prevention measures during winter storms, funding to update the Local Coastal Program and the General Plan Implementation, and the funding for work towards the completion of the Carmel River Lagoon project. Total estimated funding need for these projects includes $1.2 million in the current year and $0.6 million in FY 2019-20.

Lakes Resort Capital Project Improvements and staffing needs. At its January 15, 2019 meeting, the Board was provided with options for stabilizing operations at Lake Nacimiento and Lake San Antonio. Ultimately, the Board approved the option to keep Lake Nacimiento as an enterprise fund while operating Lake San Antonio as a regional park. RMA is estimating needing additional staff at a cost of $1.0 million to operate Lake San Antonio. Additionally, capital project needs have been identified for both lakes in the current year and next year, with an anticipated combined cost of $3.5 million and $3.9 million, respectively.

Future ERP upgrade financing need. The last ERP upgrade was completed during FY 2017-18. The upgrade strained County finances and created fiscal hardships on departmental operations. The County needs to begin reserving for the next ERP upgrade, including $4.0 million next fiscal year, to avoid unexpected financing deficiencies that marred the last upgrade. Total estimated cost for the next upgrade is $20.0 million.

Storm Damage Repairs. The County experienced unprecedented damage resulting from winter storms in 2017. On March 14, 2017, the Board approved use of $16.8 million from the strategic reserve to begin critical repair work caused by the *Soberanes Fire* and winter storms, designating $8.5 million as the County's share and $8.3 million as cash flow. This allocation did not address damages that occurred as a result of the February 17th storm in 2017. The cost to repair damages resulting from these natural disasters are estimated at $64.2 million. In April 2018, the Board authorized the use of up to $25.0 million from Fund 404 to cash flow winter storm repairs for projects that have been obligated for reimbursement by FEMA or FHWA. In addition, the Board increased the County's share from $8.3 million to $13.0 million. While the funds from Fund 404 will allow the County to complete infrastructure repairs, these funds will need to be repaid within two years, or by FY 2019-20. To the extent FEMA or FHWA does not reimburse the County for completion of projects approved by the Board in April, funding will need to be identified to replenish the outstanding cash to Fund 404. In the current year, RMA estimates requesting $5.6 million in cash from Fund 404 to complete projects.

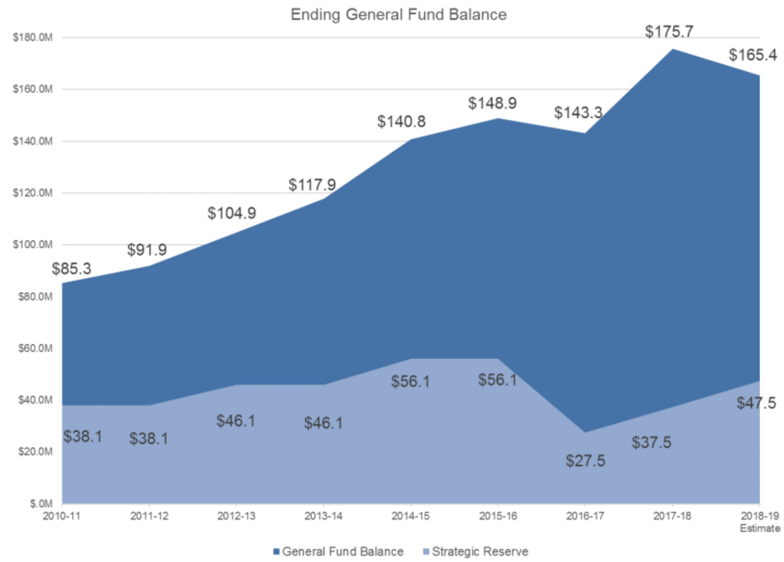
In addition to the projects the Board authorized to be completed, there remain other projects, either not eligible for reimbursement from FEMA or not part of the 2017 winter storms, and which, in turn, cannot be cash flowed using Fund 404 funds. The total need to complete these projects is estimated at $35.8 million. The Board directed RMA to return with financing options to complete these projects, including a discussion on the availability of loans to finance completion of projects, however, as of the writing of this report, RMA has not returned to the Board.

Dams and Spillway Repairs. After the 2017 Oroville Dam spillway incident, the State Division of Safety of Dams (DSOD) and the Federal Energy Regulatory Commission (FERC) directed the Water Resources Agency to complete focused spillway inspections and condition assessment reports. The Agency's report for San Antonio Dam spillway is that it "is in generally poor to fair operable condition." DSOD has not yet officially responded to the San Antonio Dam spillway condition assessment report; however, it has indicated verbally that total or near-total replacement of the spillway will be the likely direction provided. While the Agency's report for the Nacimiento Dam spillway is that it is "judged to be in good operable order at the time of inspection" DSOD has yet to respond. Additional investigation and maintenance work at the spillway are needed.

Bargaining Agreements set to expire in the current year. Most bargaining agreements expire in the current fiscal year. The forecast does not include unknown provisions of future MOUs.

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.



Within the last three fiscal years, the County has used reserves to address one-time needs. Some examples include funding for the new juvenile hall and jail expansion projects, the fires and winter storm repairs, increased construction costs for the East and West Wing, capital improvements in the jail, and legal costs to comply with the *Hernandez v. County of Monterey* settlement.

The FY 2018-19 adopted budget includes $18.2 million in use of fund balance including funds authorized from restricted fund balance and other assignments. Based on the planned fund balance use, the estimated general fund balance at year-end 2018-19 is $165.4 million.

The County had previously built up the general fund strategic reserve to $56.1 million by FY 2015-16. Because of these prior investments and prudent financial planning, the County was able to respond to natural disasters and extraordinary legal costs during FY 2016-17 by redirecting $30.9 million towards these unforeseen costs. Because of favorable results in the last two years, the County was able to invest $2.3 million back into the strategic reserve in FY 2016-17 and $10.0 million in FY 2017-18, and an additional $10.0 million anticipated in the current year, bringing the balance to $47.5 million. While positive results have allowed the County to rebuild the strategic reserve, the current balance falls short of County policy. The County has a strategic reserve target of 10% of the total general fund estimated revenues. The strategic reserve for the general fund is currently at 7.0% of the general fund estimated revenues for FY 2018-19, or approximately $20.0 million below target.

The last two fiscal years illustrate not only the importance of being prepared for future unforeseen costs but also how easily reserve levels can dip. 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. For this reason, it is important to preserve the County's finances, and align expenditures to available ongoing revenues, to be better prepared for future events including an economic downturn.

General Fund Departmental Forecasts

This section provides individual departmental forecasts, which compare forecasted needs (i.e., expenditures) based on current staffing and services to available financing. Available financing refers to a department's estimated program revenue plus authorized general fund contributions adopted by the Board. The resulting forecast summaries help identify potential areas where service capacity may be impacted as a result of projected changes in expenditures and revenues. Departmental summaries offer a tool to assist the Board of Supervisors in prioritizing the distribution of discretionary general fund contributions in the upcoming budget process.

Per County policy, Departments forecasting current year deficits are required to prepare and submit a Budget Committee report outlining the cause of the problem, the alternatives available to mitigate the projected deficit, and the Department's recommended action. In the current year, Departments estimating a deficit include: Agricultural Commissioner, Assessor-County Clerk/Recorder, Economic Opportunity, Emergency Communications, Public Defender and Resource Management Agency.

General Fund Contributions

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

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

- Cost Plan Adjustment – on January 15th, the Auditor-Controller's Office published updated countywide cost plan allocation plan (COWCAP) amounts to be applied next fiscal year. Consistent with department feedback, updated GFC estimates redistribute preliminary GFC allocations across general fund departments to make the updated COWCAP a budget-neutral event and ensure that general fund departments are not harmed by the updated COWCAP.

- Cannabis Mid-Year Augmentation Adjustment – The updated GFC estimates were adjusted to include full-year funding for departments who received mid-year augmentations related to the cannabis program, as approved by the Board in October 2018.

Departmental Forecasts

Agriculture Commissioner	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$10,495,653	$10,565,986	$10,870,806	$11,185,773	$11,428,778
B. COWCAP	702,236	702,236	1,003,333	1,003,333	1,003,333
C. Total Expenditures	11,197,889	11,268,222	11,874,139	12,189,106	12,432,111
D. Revenue	7,594,763	7,665,013	7,567,089	7,589,507	7,590,372
E. Financing Need, C-D	3,603,126	3,603,209	4,307,050	4,599,599	4,841,739
F. Preliminary GFC	3,603,126	3,603,126	3,960,316	3,960,316	3,960,316
G. Surplus/(Deficit), F-E	$ -	$ (83)	$ (346,734)	$ (639,283)	$ (881,423)

Agricultural Commissioner – The Agricultural Commissioner's Office expects to end the current year with $11.3 million in expenditures, $7.7 million in revenues, and general fund contributions of $3.6 million resulting in a year-end deficit of $83. In the forecast years, the projected increase in appropriations results from increased salary and benefit costs, increased cost plan charges and anticipated vehicle costs.

The Department has thirty vehicles due or past due for replacement. Unclaimed gas tax revenue is anticipated to increase, however, produce inspection and commodity inspection is predicted to decrease by similar amounts. Overall, the increase in revenues is offset by a decrease in State contracts revenue.

The Office was informed by the State that it did not meets its Maintenance of Effort requirement for FY 2017-18. This could result in potential loss of unclaimed gas tax revenue in the current year and forecasted years, resulting in higher deficits. The Office is working with the State to resolve the matter.

Auditor-Controller	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast		
			2019-20	2020-21	2021-22
A. Operational Expenditures	$ 6,604,666	$ 6,531,414	$ 6,729,498	$ 6,923,373	$ 7,087,711
B. COWCAP	(6,018,183)	(6,018,183)	(4,694,117)	(4,694,117)	(4,694,117)
C. Total Expenditures	586,483	513,231	2,035,381	2,229,256	2,393,594
D. Revenue	500,847	500,847	500,847	500,847	500,847
E. Financing Need, C-D	85,636	12,384	1,534,534	1,728,409	1,892,747
F. Preliminary GFC	85,636	85,636	1,279,259	1,279,259	1,279,259
G. Surplus/(Deficit), F-E	$ -	$ 73,252	$ (255,275)	$ (449,150)	$ (613,488)

Auditor-Controller – The table summarizes the finances for the Auditor Controller's departmental operations. The Auditor-Controller estimates ending the fiscal year with expenditures of $513,231 (net of cost plan reimbursements) and revenues of $500,847, resulting in a projected surplus of $73,252. The surplus is a result of salary and benefits savings due to vacancies. The deficits emerging in forecast years are driven by cost increases related to increases in PERS rates, health and insurance premiums.

Assessor-County Clerk-Recorder	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast		
			2019-20	2020-21	2021-22
A. Operational Expenditures	$ 8,289,320	$ 7,931,885	$ 8,401,822	$ 8,713,772	$ 8,989,843
B. COWCAP	903,120	903,120	1,237,188	1,237,188	1,237,188
C. Total Expenditures	9,192,440	8,835,005	9,639,010	9,950,960	10,227,031
D. Revenue	4,240,000	3,772,044	3,985,000	4,085,000	4,185,000
E. Financing Need, C-D	4,952,440	5,062,961	5,654,010	5,865,960	6,042,031
F. Preliminary GFC	4,952,440	4,952,440	5,060,050	5,060,050	5,060,050
G. Surplus/(Deficit), F-E	$ -	$ (110,521)	$ (593,960)	$ (805,910)	$ (981,981)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of $8.8 million, $3.8 million in revenue, and GFC of $5.0 million. A year-end deficit of $110,521 is projected due to lower revenues resulting from a decline in document recordings in the Recorder's Office and the enactment of the Building Homes and Jobs Act in January 1, 2018, which exempts government agencies from receiving a $75 housing fee per recorded document previously collected. Projected deficits in the forecasted years stem from the continuation of revenue decline in document recordings and increases in step advances, pension costs, and rising health care costs. The Recorder's Office is currently working on a fee study to alleviate projected deficits.

Board of Supervisors	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 3,236,744	$ 3,170,057	$ 3,334,336	$ 3,402,631	$ 3,458,857
B. COWCAP	755,580	755,580	694,411	694,411	694,411
C. Total Expenditures	3,992,324	3,925,637	4,028,747	4,097,042	4,153,268
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	3,992,324	3,925,637	4,028,747	4,097,042	4,153,268
F. Preliminary GFC	3,992,324	3,992,324	3,931,155	3,931,155	3,931,155
G. Surplus/(Deficit), F-E	$ -	$ 66,687	$ (97,592)	$ (165,887)	$ (222,113)

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. Based on financial data for the first six months of the year, the Board's budget will end FY 2018-19 with a surplus of $66,687. The surplus is attributed to a decrease in travel expenses and general services and supplies. The deficits emerging in forecast years are driven by cost increases related to higher salaries, PERS rates, and health insurance premiums.

Child Support Services	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$10,863,258	$ 9,985,673	$10,515,714	$10,757,469	$11,057,784
B. COWCAP	282,269	282,269	452,716	452,716	452,716
C. Total Expenditures	11,145,527	10,267,942	10,968,430	11,210,185	11,510,500
D. Revenue	11,145,527	10,267,942	10,968,430	11,127,989	11,326,197
E. Financing Need, C-D	-	-	-	82,196	184,303
F. Preliminary GFC	-	-	-	-	-
G. Surplus/(Deficit), F-E	$ -	$ -	$ -	$ (82,196)	$ (184,303)

Child Support Services - Child Support Services is funded entirely through federal and State subventions for mandated services. The increase in expenditures in the forecast period is attributed largely to the increase in PERS, health insurance premiums, workers' compensation, and COWCAP. Since the submission of the three-year forecast, the Department received information from the State Department of Child Support Services about an increase in funding allocations for FY 2020-21 and FY 2021- 22, that would help with the projected deficit. The increase in allocations is not expected to offset escalating costs in FY 2021-22. Unless other means are taken to offset escalating costs, the cost increases will impact Child Support Services ability to maintain existing resources.

Civil Rights Office	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 1,120,089	$ 928,851	$ 991,877	$ 1,029,068	$ 1,061,431
B. COWCAP	(841,588)	(841,588)	(1,034,102)	(1,034,102)	(1,034,102)
C. Total Expenditures	278,501	87,263	(42,225)	(5,034)	27,329
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	278,501	87,263	(42,225)	(5,034)	27,329
F. Preliminary GFC	278,501	278,501	85,987	85,987	85,987
G. Surplus/(Deficit), F-E	$ -	$ 191,238	$ 128,212	$ 91,021	$ 58,658

Civil Rights Office - The Civil Rights Office expects to end the current year within budget. Compared to budget, the Department will end the year with a projected surplus of $191,238. During the June 2018 budget hearings, the Board directed staff to transfer a management analyst from the Civil Rights Office back to the County Administrative Office. This was done as directed, although transfer of associated appropriations are still in progress. Once appropriations transfer is complete, the Office's expected surplus will decline by $147,931. In the forecast years, increased expenditures are driven by cost increases related to salary step increases, PERS rates, and health insurance premiums.

Clerk of the Board	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 709,365	$ 647,571	$ 729,367	$ 760,007	$ 781,256
B. COWCAP	203,428	203,428	113,151	113,151	113,151
C. Total Expenditures	912,793	850,999	842,518	873,158	894,407
D. Revenue	20,000	20,105	20,000	20,000	20,000
E. Financing Need, C-D	892,793	830,894	822,518	853,158	874,407
F. Preliminary GFC	892,793	892,793	802,516	802,516	802,516
G. Surplus/(Deficit), F-E	$ -	$ 61,899	$ (20,002)	$ (50,642)	$ (71,891)

Clerk of the Board - The Clerk of the Board anticipates year-end expenditures of $850,999 and revenue of $20,105 ending the year with a surplus of $61,899. The surplus is attributed to salary and benefit savings due to vacancies. In forecasted years, assessment appeal application filings revenue is projected to remain flat while expenditures are expected to continue rising due to step advances and employee benefit costs resulting in projected deficits.

Cooperative Extension	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 410,334	$ 361,995	$ 415,923	$ 431,683	$ 443,396
B. COWCAP	10,700	10,700	36,958	36,958	36,958
C. Total Expenditures	421,034	372,695	452,881	468,641	480,354
D. Revenue	32,933	16,656	15,500	15,500	15,500
E. Financing Need, C-D	388,101	356,039	437,381	453,141	464,854
F. Preliminary GFC	388,101	388,101	414,359	414,359	414,359
G. Surplus/(Deficit), F-E	$ -	$ 32,062	$ (23,022)	$ (38,782)	$ (50,495)

Cooperative Extension - The Cooperative Extension expects to end the current year with $372,695 in expenditures, $16,656 in revenue and general fund contributions of $356,039. Compared to budget, the Department estimates it will end the year with a surplus of $32,062. The surplus can be attributed to salary savings due to a vacancy. The Cooperative Extension projects a deficit in forecast years because of step increases, higher PERS pension contributions, and increased employee health insurance premiums. Revenue decreases in the current year and forecast due to budget constraints from the University of California.

County Administrative Office	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$11,137,487	$10,672,760	$11,403,954	$11,685,619	$11,902,533
B. COWCAP	(7,481,700)	(7,481,700)	(3,666,793)	(3,666,793)	(3,666,793)
C. Total Expenditures	3,655,787	3,191,060	7,737,161	8,018,826	8,235,740
D. Revenue	933,366	761,902	910,202	910,202	910,202
E. Financing Need, C-D	2,722,421	2,429,158	6,826,959	7,108,624	7,325,538
F. Preliminary GFC	2,722,421	2,722,421	6,656,050	6,656,050	6,656,050
G. Surplus/(Deficit), F-E	$ -	$ 293,263	$ (170,909)	$ (452,574)	$ (669,488)

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, Emergency Services, Community Engagement & Strategic Advocacy, and Fleet Administration. The Office projects year-end expenditures of $3.2 million, revenues of $761,902, and a County contribution of $2.7 million. These operations estimate a combined year-end surplus of $293,263 reflecting salary savings from temporary vacancies. The CAO is projecting hypothetical deficits in the forecast years primarily due to employee step advances, higher pension contributions, and increases in employee health insurance premiums.

County Counsel	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 4,986,601	$ 4,575,369	$ 5,123,306	$ 5,212,410	$ 5,299,246
B. COWCAP	(3,278,344)	(3,278,344)	(3,637,547)	(3,637,547)	(3,637,547)
C. Total Expenditures	1,708,257	1,297,025	1,485,759	1,574,863	1,661,699
D. Revenue	260,000	306,340	260,000	260,000	260,000
E. Financing Need, C-D	1,448,257	990,685	1,225,759	1,314,863	1,401,699
F. Preliminary GFC	1,448,257	1,448,257	574,054	574,054	574,054
G. Surplus/(Deficit), F-E	$ -	$ 457,572	$ (651,705)	$ (740,809)	$ (827,645)

County Counsel – County Counsel estimates it will end the current fiscal year with $1.3 million in expenditures, revenue of $306,340 and a $457,572 surplus. The surplus was due to vacancies and an increase in direct billing in County Counsel. The deficits emerging in forecast years are driven mainly by cost increases related to salaries, PERS retirement contribution rates and health insurance premiums.

District Attorney	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$25,114,986	$24,318,507	$26,543,249	$27,646,346	$28,608,278
B. COWCAP	1,143,202	1,143,202	2,220,439	2,220,439	2,220,439
C. Total Expenditures	26,258,188	25,461,709	28,763,688	29,866,785	30,828,717
D. Revenue	14,951,053	14,822,854	14,179,927	14,380,056	14,553,889
E. Financing Need, C-D	11,307,135	10,638,855	14,583,761	15,486,729	16,274,828
F. Preliminary GFC	11,307,135	11,307,135	12,514,058	12,514,058	12,514,058
G. Surplus/(Deficit), F-E	$ -	$ 668,280	$ (2,069,703)	$ (2,972,671)	$ (3,760,770)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of $25.5 million, revenues of $14.8 million and $11.3 million in county contributions, resulting in a year-end surplus of $668,280. A portion of the surplus ($250,000) is the reimbursement to the County of general funds used in FY 2015-16 by the Civil Division, which is financed entirely by non-general fund sources. The DA plans to cover these general funds in the current year with civil settlement monies that fund the operations of the Civil Division. Current year revenues are trending slightly below budgeted assumptions primarily due to decreased witness activity program expenditures than were originally budgeted. The DA projects deficits in the forecast years primarily due to the assumption that all positions are filled (no salary savings), forecasted salary step increases, the increasing costs related to PERS retirement, health insurance premiums and allocated costs such as Workers' Compensation Insurance, without any commensurate increase in revenues. Additionally, the forecast reflects a reduction to revenue, primarily due to elimination of one-time funds that were utilized in the current year budget.

Economic Opportunity	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast		
			2019-20	2020-21	2021-22
A. Operational Expenditures	$ 2,673,179	$ 2,644,070	$ 3,029,675	$ 2,887,807	$ 2,997,160
B. COWCAP	202,963	232,619	(303,716)	(303,716)	(303,716)
C. Total Expenditures	2,876,142	2,876,689	2,725,959	2,584,091	2,693,444
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	2,876,142	2,876,689	2,725,959	2,584,091	2,693,444
F. Preliminary GFC[1]	2,876,142	2,876,142	2,678,106	2,678,106	2,678,106
G. Surplus/(Deficit), F-E	$ -	$ (547)	$ (47,853)	$ 94,015	$ (15,338)

[1] DSA GFC allocations are not projected to exceed percentages set by current Board policy.

Economic Development Department - The Economic Development's general fund units are comprised of its administration unit and the Development Set-Aside (DSA) unit. The combined estimated year-end expenditures are $2.9 million with $2.9 million in use of GFC. Compared to budget, the Economic Development estimates ending the year with a minor deficit of $547. Deficits emerge in the forecast period due to rising salary and benefit costs and increasing contributions to development set-aside agencies under current formulas.

Elections	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast		
			2019-20	2020-21	2021-22
A. Operational Expenditures	$ 4,294,428	$ 4,296,682	$ 5,174,072	$ 5,553,486	$ 4,929,600
B. COWCAP	(139,050)	(139,050)	1,076,139	1,076,139	1,076,139
C. Total Expenditures	4,155,378	4,157,632	6,250,211	6,629,625	6,005,739
D. Revenue	1,156,135	1,159,335	911,500	1,013,000	911,500
E. Financing Need, C-D	2,999,243	2,998,297	5,338,711	5,616,625	5,094,239
F. Preliminary GFC	2,999,243	2,999,243	4,214,432	4,214,432	4,214,432
G. Surplus/(Deficit), F-E	$ -	$ 946	$ (1,124,279)	$ (1,402,193)	$ (879,807)

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 $4.2 million, revenues of $1.2 million, and a County contribution of $3.0 million. Compared to budget, the Department will end the year with a negligible surplus of $946. Countywide cost pressures were offset with reduced printing and publication cost due to a change in voter guide design processes.

Projected expenditures and revenues in forecast years reflect estimated charges for one scheduled election per fiscal year: a Presidential primary in fiscal year 2019-20, a Presidential in fiscal year 2020-21, and a statewide general primary in fiscal year 2021-22. The funds necessary to conduct 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. Services and supplies (including ballot printing, postage, translation, and seasonal staffing) are projected to increase due to larger elections in future years as compared to the current fiscal year and contractual obligations. Additionally, salary and benefit costs contribute to the growing deficits in forecast years.

Emergency Communications	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures[1]	$10,550,071	$11,860,977	$12,356,684	$12,889,033	$13,437,676
B. COWCAP	425,910	425,910	670,459	670,459	670,459
C. Total Expenditures	10,975,981	12,286,887	13,027,143	13,559,492	14,108,135
D. Revenue	9,341,021	10,428,480	11,042,914	11,577,696	11,973,233
E. Financing Need, C-D	1,634,960	1,858,407	1,984,229	1,981,796	2,134,902
F. Preliminary GFC	1,634,960	1,634,960	1,708,325	1,708,325	1,708,325
G. Surplus/(Deficit), F-E	$ -	$ (223,447)	$ (275,904)	$ (273,471)	$ (426,577)

[1] Per forecasting guidelines, departments are not to include salary increases as part of future bargaining negotiations until the Board has approved bargaining agreements. The Emergency Communications department included a hypothetical salary increase to illustrate potential increases in expenditures to participating agencies.

Emergency Communications – The Emergency Communications Department provides 9-1-1 and non-emergency call answering services 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. The Department expects to end the current year with expenditures totaling $12.3 million and $10.4 million in revenue, and a financing need of $1.9 million resulting in a deficit of $223,447. The Department has requested a budget modification, currently pending Board approval, to increase appropriations in order to maintain equipment and contracts to keep the Center operational. Forecast years are expected to be impacted due to increases in salaries and benefits as well as the cost of escalating contracts that maintain the operations at the Center.

Health	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 96,270,795	$86,572,983	$89,336,267	$92,058,108	$94,230,302
B. COWCAP	$ 3,752,428	$ 3,736,300	$ 5,571,762	$ 5,571,762	$ 5,571,762
C. Total Expenditures	$100,023,223	$90,309,283	$94,908,029	$97,629,870	$99,802,064
D. Revenue	92,364,107	86,070,289	83,558,179	84,495,200	85,079,485
E. Financing Need, C-D	7,659,116	4,238,994	11,349,850	13,134,670	14,722,579
F. Preliminary GFC	7,659,116	7,659,116	9,057,572	9,057,572	9,057,572
G. Preliminary Surplus/(Deficit), F-E	-	3,420,122	(2,292,278)	(4,077,098)	(5,665,007)
H. Adjustments	-	3,137,295	-	-	-
I. Surplus/(Deficit), H-G	-	282,827	(2,292,278)	(4,077,098)	(5,665,007)

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 $90.3 million, revenues of $86.1 million, and a financing need of $4.2 million.

Year-end expenditures are estimated at $9.4 million lower than budgeted primarily due to salary savings of $11.7 million resulting from higher vacancy rates mainly in primary care clinics. These savings were offset by a liability payment to the State totaling $8.4 million. As of March 2015, some Central California Alliance for Health members were moved from fee-for-service to capitation with the State performing yearly reconciliations. Any over payment for services rendered by the County found by the State must be returned. In FY 2018-19, a liability payment for FY 2015-16 ($4.0 million) and 2016-17 ($4.4 million) was made. Revenue is projected to end the year $6.3 million below budget. An increase in vacancies rate, impacted the amount of services provided, therefore decreasing revenue. The Department's projection does not include the budgeted use of $541,454 in realignment funding in Animal Services.

The Department projects ending the year with a $3.4 million preliminary surplus and estimates $522,138 related to Animal Services ($115,875) and Environmental Health ($406,263) will be placed in restricted fund balance at year-end due to funding requirements associated with these monies. In addition, the Department is requesting that $2.6 million of the $3.4 million surplus associated with its primary care program be set aside in restricted fund balance to pay future potential liabilities to the State. After these adjustments, the Department would end the year with a surplus of $282,827. The Department will continue working with the CAO and Audit-Controller's Office to ensure appropriate accounting of these funds.

The deficits in the forecast years are due to the AB 85 revenue redirection, projected salary step increases, health insurance costs, and increased pension costs. Also reflected in forecasted revenues is the phase out of the Whole Person Care grant which ends in December of 2020.

Human Resources	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast		
			2019-20	2020-21	2021-22
A. Operational Expenditures	$ 4,659,263	$ 4,439,769	$ 4,875,702	$ 4,959,588	$ 5,137,535
B. COWCAP	(5,387,774)	(5,387,774)	(5,762,349)	(5,762,349)	(5,762,349)
C. Total Expenditures	(728,511)	(948,005)	(886,647)	(802,761)	(624,814)
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	(728,511)	(948,005)	(886,647)	(802,761)	(624,814)
F. Preliminary GFC	(728,511)	(728,511)	(1,103,086)	(1,103,086)	(1,103,086)
G. Surplus/(Deficit), F-E	$ -	$ 219,494	$ (216,439)	$ (300,325)	$ (478,272)

Human Resources – The Human Resources Department projects $219,494 in unused appropriations in the current fiscal year from vacancies. An operational deficit is projected for the forecasted years and it is projected to grow annually primarily because of rising personnel costs, such as position step advances, PERS contributions, and healthcare premiums.

Information Technology	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$14,819,512	$14,735,980	$21,630,698	$21,132,902	$20,101,091
B. COWCAP	2,497,897	2,497,897	(15,878,341)	(15,878,341)	(15,878,341)
C. Total Expenditures	17,317,409	17,233,877	5,752,357	5,254,561	4,222,750
D. Revenue	816,753	740,000	816,753	816,753	816,753
E. Financing Need, C-D	16,500,656	16,493,877	4,935,604	4,437,808	3,405,997
F. Preliminary GFC	16,500,656	16,500,656	2,729,760	2,729,760	2,729,760
G. Surplus/(Deficit), F-E	$ -	$ 6,779	$ (2,205,844)	$ (1,708,048)	$ (676,237)

Information Technology – The Information Technology Department anticipates year-end expenditures of $17.2 million, revenue of $740,000, and a general fund contribution of $16.5 million, resulting in a surplus of $6,779. In the current year, the Department anticipates lower operating costs due to salary savings that are offset by a reduction of revenue also resulting from vacant positions not performing services built into the budget. The forecast years assume a GFC of $2.7 million compared to the current year GFC of $16.5 million result from a change in funding methodology. In past years, ITD was primarily funded through charges to departments and agencies, whereas now it is funded through general fund contributions just like other departments. As this change occurred, ITD also became eligible for COWCAP reimbursements and those reimbursements lower its expenditures significantly beginning next fiscal year. Nevertheless, ITD projects deficits in the forecast years due to increasing salary and benefits costs such as salary step increases, rising pension costs, and higher health insurance premiums. The forecast reflects expenditures for approved capital improvement projects, but does not include any new IT capital improvement projects.

Probation	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$47,000,858	$46,987,281	$49,519,500	$51,300,891	$52,756,647
B. COWCAP	2,628,663	2,628,663	3,612,748	3,612,748	3,612,748
C. Total Expenditures	49,629,521	49,615,944	53,132,248	54,913,639	56,369,395
D. Revenue	26,493,910	26,493,910	26,438,541	26,482,864	26,531,983
E. Financing Need, C-D	23,135,611	23,122,034	26,693,707	28,430,775	29,837,412
F. Preliminary GFC	23,135,611	23,135,611	24,119,696	24,119,696	24,119,696
G. Surplus/(Deficit), F-E	$ -	$ 13,577	$ (2,574,011)	$ (4,311,079)	$ (5,717,716)

Probation - The Department's FY 2018-19 year-end estimate reflects expenditures of $49.6 million, revenue of $26.5 million and general fund contributions of $23.1 million. Based on this, there is a projected surplus of $13,577 which is primarily due to unused appropriations from contracted savings in institutional supplies. The forecast for FY 2019-20 through FY 2021-22 indicates deficits ranging from $2.6 to $5.7 million. Contributing factors to the forecasted deficits are increases to salary and benefits related to step increases as well as the assumption that all positions are filled, rising PERS contribution rates, employee health insurance and workers compensation insurance. Additionally, there may be unknown operational costs for the new juvenile hall project, which is anticipated to be completed in FY 2020-21. The funding gaps in the forecast years do not include consideration for this project. Future projections will be updated as the facility becomes operational.

Public Defender	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$12,772,624	$13,004,858	$13,484,990	$13,987,656	$14,417,236
B. COWCAP	279,216	279,216	2,068,038	2,068,038	2,068,038
C. Total Expenditures	13,051,840	13,284,074	15,553,028	16,055,694	16,485,274
D. Revenue	1,160,346	1,273,672	1,160,346	1,160,346	1,160,346
E. Financing Need, C-D	11,891,494	12,010,402	14,392,682	14,895,348	15,324,928
F. Preliminary GFC	11,891,494	11,891,494	13,662,316	13,662,316	13,662,316
G. Surplus/(Deficit), F-E	$ -	$ (118,908)	$ (730,366)	$ (1,233,032)	$ (1,662,612)

Public Defender - The Public Defender's Office has two budget units: Public Defender Office (PDO) and Alternate Defender Office (ADO). The Department provides statutory mandated services handling over 12,000 cases annually including criminal proceedings, limited civil proceedings and juvenile matters. The modified budget for the Public Defender consists of $13.1 million in expenditures, $1.2 in revenue, and General Fund Contributions of $11.9 million. The Department estimates ending the current year $118,908 over its current authorized GFC. The Department was impacted by approximately $225,000 in ancillary costs and attorney fees for ongoing capital cases. These costs are partially offset by a net increase in revenue of $105,000 primarily from State reimbursements. Capital case costs are expected to continue in FY 2019-20. The Department projects a shortfall in the forecasted years due to earned step advances, increased salary and benefits, and general liability costs.

The Department recommends monitoring these costs and deferring any budget modifications as the capital cases progress through the system. Staff will continue to assess costs, departmental savings opportunities and return to the Board for budget related modifications as needed.

Resource Management Agency	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$33,804,689	$31,212,780	$34,486,215	$35,805,451	$37,171,573
B. COWCAP	(4,999,129)	(4,999,129)	(3,923,629)	(3,923,629)	(3,923,629)
C. Total Expenditures	28,805,560	26,213,651	30,562,586	31,881,822	33,247,944
D. Revenue	14,521,675	11,482,255	11,580,081	11,785,654	12,012,030
E. Financing Need, C-D	14,283,885	14,731,396	18,982,505	20,096,168	21,235,914
F. Preliminary GFC	14,283,885	14,283,885	15,272,085	15,272,085	15,272,085
G. Surplus/(Deficit), F-E	$ -	$ (447,511)	$ (3,710,420)	$ (4,824,083)	$ (5,963,829)

Resource Management Agency – The Resource Management Agency (RMA) fiscal year 2018-19 current year estimate projects expenditures of $26.2 million, revenues of $11.5 million, and a general fund contribution of $14.7 million. In comparison to the modified budget, the Department estimates it will end the year with a net estimated deficit of $0.4 million. The deficit is a result of an estimated decrease in revenue by $3.0 million mostly associated with construction and zoning permits. The adopted revenue budget was developed based on the assumption that the Department would be able to increase fee revenue and to utilize new funding sources. However, the revision of a fee schedule is a lengthy process, and the

Department is currently in the process of developing revised fees only to the extent necessary to offset costs and is working to identify further cost reduction efficiencies. The Department also anticipated revenue from the Sustainable Agriculture Lands Conservation (SALC) grant, but this project is currently on hold as it is awaiting final review by the grantor agency.

In contrast to the revenue deficit, the Department is projecting a net decrease in expenditure by $2.5 million mainly attributed to salary and benefit savings from unfilled positions, even with costs of utilities, janitorial services and facility alarm services increasing.

Contributing factors to deficit increases in the forecasted years are increased PERS contribution rates, employee health insurance and property insurance. Revenues are expected to increase due to the amendment to Parks User Fees effective January 2019.

Sheriff-Coroner	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 99,201,849	$ 98,701,849	$ 103,508,047	$ 108,473,352	$ 113,139,309
B. COWCAP	5,974,292	5,974,292	8,187,647	8,187,647	8,187,647
C. Total Expenditures	105,176,141	104,676,141	111,695,694	116,660,999	121,326,956
D. Revenue	38,647,856	38,147,856	38,550,091	38,708,719	38,884,511
E. Financing Need, C-D	66,528,285	66,528,285	73,145,603	77,952,280	82,442,445
F. Preliminary GFC	66,528,285	66,528,285	68,404,804	68,404,804	68,404,804
G. Surplus/(Deficit), F-E	$ -	$ -	$ (4,740,799)	$ (9,547,476)	$ (14,037,641)

Sheriff-Coroner - The Sheriff's Office expects to end the current year spending within the budgeted general fund contribution. The Office anticipates revenue for court security to be $500,000 lower than budget with a corresponding decrease in expenditures. To account for the revenue shortfall from the State, the Sheriff has reduced court security staffing and transferred five deputies and a commander to other units. Although overtime expenditures will exceed budgeted amounts, the office expects to offset those overages with salary savings. The Sheriff's Office is projecting deficits in the forecast years due to significant increase in the general liability insurance and workers' compensation programs, as well as the aggregate increases in salaries, PERS retirement and health insurance premiums.

Staffing for the jail expansion remains an unbudgeted need for the current year and future years; these costs are not reflected in the forecast. The Office states nine deputy recruits need to be hired and enrolled into the March police academy to be ready for the opening of the jail expansion in August and that 12 civilian positions need to be in place in July. The approximate cost for new deputies is $294,000 for the current year. The ongoing costs for deputies and civilians beginning in FY 2019-20 is approximately $2.1 million.

Social Services	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$198,047,191	$198,335,529	$200,556,353	$205,106,668	$206,498,757
B. COWCAP	$ 5,338,950	$ 5,340,739	$ 5,804,518	$ 5,804,518	$ 16,144,518
C. Total Expenditures	$203,386,141	$203,676,268	$206,360,871	$210,911,186	$222,643,275
D. Revenue	189,190,894	189,481,019	187,856,265	189,308,701	193,195,700
E. Financing Need, C-D	14,195,247	14,195,249	18,504,606	21,602,485	29,447,575
F. Preliminary GFC[1]	14,195,247	14,195,247	13,668,257	13,668,257	23,668,257
G. Surplus/(Deficit), F-E	-	(2)	(4,836,349)	(7,934,228)	(5,779,318)

[1] The Department of Social Services estimates their cost plan charges will increase in FY 2021-22 by $10.0 million. To the extent cost plan charges increase/decrease, departments GFC is expected to increase/decrease by the same amount.

Social Services - The Department of Social Services (DSS) estimates year-end expenditures of $203.7 million, revenue of $189.5 million and a General Fund Contribution of $14.2 million. The current year-end estimated expenditures are more than budget by $290,127 and the estimated year-end revenues has a matching increase due to the reimbursement by the State and federal government which only provides funding based on actual expenses. Year-end expenditures for the entitlement programs are estimated to grow by $2.3 million consisting of a slight increase of $0.2 million in CalWORKs due to a grant increase and increased child care costs, $0.6 million in In Home Supportive Services (IHSS) due to the State's reconciliation of prior years' IHSS MOE, and $1.5 million in Out of Home Care due to increased foster care costs due to the implementation of a new rate structure as required by the Continuum of Care Reform, as well as an increase in adoption cases which results in increased adoption assistance payments. The estimated entitlement increases are being offset primarily by $2.4 million of salary/benefit savings in budgeted PERS and health benefits. The General Fund Contributions are estimated to be on budget. It should be noted that the year-end estimate was completed at a time when only one quarter of fiscal data was available to estimate earned revenues, where these estimates may change before year-end closing.

The estimated deficits for the forecast years are directly related to the increase in salaries due to step increases, as well as increased costs in PERS, health insurance premiums, worker's compensation, and general liability insurances. For entitlements, there is a 7% annual inflation factor to the IHSS MOE for FY 2019-20, and a projected increase in Out of Home Care costs as foster care and adoption costs are estimated to increase 3% and 4%, respectively, in the following years. Realignment funding is not yet known and was assumed to remain "flat" for the forecast.

Treasurer-Tax Collector	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Operational Expenditures	$ 8,315,458	$ 7,900,898	$ 8,645,892	$ 8,955,399	$ 9,263,689
B. COWCAP	(297,954)	(297,954)	(1,461,494)	(1,461,494)	(1,461,494)
C. Total Expenditures	8,017,504	7,602,944	7,184,398	7,493,905	7,802,195
D. Revenue	6,617,644	6,207,787	6,620,436	6,788,208	6,958,827
E. Financing Need, C-D	1,399,860	1,395,157	563,962	705,697	843,368
F. Preliminary GFC	1,399,860	1,399,860	236,320	236,320	236,320
G. Surplus/(Deficit), F-E	$ -	$ 4,703	$ (327,642)	$ (469,377)	$ (607,048)

Treasurer-Tax Collector – The Treasurer-Tax Collector projects ending FY 2018-19 with a surplus of $4,703. Expenditures are estimated to end the year $414,560 below budget mainly due to salary and benefit savings from vacancies. Revenue is estimated to end $409,857 below budget in correlation with expenditure savings in the Revenue Division, which receives revenue based on actual costs of collections services to the local Superior Court. Forecasted deficits for outlying years are primarily due to eligible step increases and non-discretionary cost increases in health insurance, PERS Retirement, workers compensation, and general liability (recoverable and non-recoverable).

OTHER MAJOR FUNDS

Road Fund – The Road Fund is a special revenue fund established per State law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects.

Road Fund	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Beginning Fund Balance	$ 10,153,628	$ 10,153,628	$ 23,168,381	$ 36,069,621	$ 45,219,969
B. Revenue	38,300,306	58,992,350	93,727,465	60,292,441	31,082,647
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	48,453,934	69,145,978	116,895,846	96,362,062	76,302,616
E. Expenditures	37,914,004	45,977,597	80,826,225	51,142,093	27,102,973
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	37,914,004	45,977,597	80,826,225	51,142,093	27,102,973
H. Ending Fund Balance, D-G	$ 10,539,930	$ 23,168,381	$ 36,069,621	$ 45,219,969	$ 49,199,643

The Road Fund's primary funding source for road and bridge maintenance had been State Highway User Tax Allocation (HUTA or Gas Tax), up until last fiscal year, when two new revenue sources were introduced. First, the Transportation Agency for Monterey County (TAMC) passed a retail transactions and use tax ordinance (Measure X), which is generating approximately $6.6 million annually for 30 years, restricted for local road repair, maintenance, and safety projects. The other is Senate Bill 1 (SB1), also known as the Road Repair and Accountability Act of 2017, which was established to address deferred maintenance on local street and road systems, as well as state highways. There are several phases of implementation of SB1, which results in an incremental increase in projected revenue from $3.0 million in FY 2017-18 to $15.8 million in FY 2026-27.

The FY 2018-19 revenue estimate exceeds the budget by $20.7 million, due to transfers in for the 2017 Winter Storm projects ($6.0 million), increasing both SB1 ($3.1 million) and Measure X ($2.2 million) revenues to reflect the full allocations and $9 million from federal and State grants for upcoming projects. The original budget included only SB1 and Measure X revenue for projects expected to be completed by the end of the year. Expenditures are also increasing by $8.1 million primarily due to adding the 2017 Winter Storm projects to the current year estimate. In 2018, the Board of Supervisors authorized the RMA to move forward with completion of approved/obligated 2017 winter storm projects using NMC funding to cash flow expenditures. Total financing used from NMC will need to be returned in FY 2019-20 from FEMA or State reimbursements. It is noteworthy that Road Funds are restricted and cannot be used to return NMC funds in excess of FEMA/State reimbursements. Fund Balance is anticipated to grow to $23.2 million, resulting from SB1 and Measure X funds accumulating. RMA is actively recruiting new Project Managers to manage the new project workload, which will put these new funds to good use revitalizing the County's road system.

The forecasted revenues and expenditures fluctuate depending on anticipated project activity. In those years where there rise in revenues and costs, more projects are expected to be in the construction phase. In FY 2019-20, the Davis Road Bridge, Gonzales River Road Bridge, and Nacimiento/Fergusson Road Rehabilitation projects construction phase is expected to drive expenditures and reimbursable revenues up. Whereas, in FY 2021-22, these major projects are expected to be completed, which explains the drop in revenue and expenditures. Project budgets are in constant flux, as multiple factors influence the progress of a project, such as weather, permitting, funding, and staffing constraints.

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

Monterey County Free Libraries	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Beginning Fund Balance	$ 1,011,885	$ 1,011,885	$ 837,852	$ 639,971	$ 642,674
B. Revenue	10,282,278	10,084,646	9,975,384	10,047,978	10,128,479
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	11,294,163	11,096,531	10,813,236	10,687,949	10,771,153
E. Expenditures	10,273,287	10,258,679	10,173,265	10,045,275	10,191,914
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	10,273,287	10,258,679	10,173,265	10,045,275	10,191,914
H. Ending Fund Balance, D-G	$ 1,020,876	$ 837,852	$ 639,971	$ 642,674	$ 579,239

Monterey County Free Libraries (MCFL) estimates ending the current year with $10.3 million in expenditures, $10.1 million in revenues, and a fund balance of $837,852. The $174,033 greater-than-planned use of fund balance is primarily due to one-time computer replacement and self-check machine expenses that will extend into Fiscal Year 2019-20.

The three-year forecast for the Library Fund indicates that MCFL will continue the erosion of the fund balance as growth in ongoing departmental expenses are outpacing revenue growth. One-time technology expenses in the current year and first forecast years are forecast to replace outdated computers and self-check machines. Ongoing expenditures experience increases in PERS contributions and insurance costs. Library revenues are primarily made up of property taxes and donations.

Potential costs not forecasted include the opening of two small rural libraries in Parkfield and Bradley. Funding and construction opportunities are being discussed with the community including the school district. The East Garrison community library is another possible project. The City of Gonzales is also exploring options for building a new library. The exact cost of these projects to the County is currently unknown and staff will provide updates as developments occur. In addition, MCFL's two bookmobiles and the Reading Safari van are anticipated to have increasing repairs or possibly replacement.

MCFL continues to implement its "Financial Plan" to meet the policies and financial performance expectations set forth in the Monterey County Financial Policies. The plan includes maintaining a positive fund balance, and building reserves and a contingency fund. MCFL continues to actively seek and explore several other funding resources and grants to maintain stability to help meet the growing gap between community need and available resources.

Behavioral Health – The Department estimates year-end expenditures of $120.5 million and revenues of $124.3 of million. Expenditures are estimated at $5.6 below the modified budget while revenues at estimated at $52,647 over budget for an overall increase in fund balance of $5.1 million. Expenditures are lower due a higher than budgeted vacancy rate for $3.5 million in savings in salary and benefit cost and the delay of the HVAC replacement at the Marina clinic which will not be completed in FY 2018-19 for $1.5 million in savings.

Behavioral Health	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast		
			2019-20	2020-21	2021-22
A. Beginning Fund Balance	$ 42,651,110	$ 42,081,716	$ 45,840,835	$ 45,840,835	$ 45,840,835
B. Revenue	124,223,560	124,276,207	123,042,939	117,495,261	111,926,835
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	166,874,670	166,357,923	168,883,774	163,336,096	157,767,670
E. Expenditures	126,159,886	120,517,088	123,042,939	117,495,261	111,926,835
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	126,159,886	120,517,088	123,042,939	117,495,261	111,926,835
H. Ending Fund Balance, D-G	$ 40,714,784	$ 45,840,835	$ 45,840,835	$ 45,840,835	$ 45,840,835

The forecast years show an overall decrease in expenses and revenues due to the phase out of the Whole Person Care grant which ends in December of 2020. The grant accounted for approximately $10.0 to $11.0 million per year. Excluding this significant change, salaries and benefits are projected to increases by

11.0% while services and supplies would have to decrease by a corresponding amount in order to balance the budget in the forecasted years.

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

Natividad Medical Center	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Beginning Fund Balance	59,810,393	59,810,393	$ 90,095,829	$ 122,027,695	$ 150,067,563
B. Revenue	300,209,124	315,648,050	324,216,102	328,698,662	333,526,736
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	360,019,517	375,458,443	414,311,931	450,726,357	483,594,299
E. Expenditures	277,935,627	285,362,614	292,284,236	300,658,794	309,363,438
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	277,935,627	285,362,614	292,284,236	300,658,794	309,363,438
H. Ending Fund Balance, D-G	$ 82,083,890	$ 90,095,829	$ 122,027,695	$ 150,067,563	$ 174,230,861

Revenue: Current year net patient revenue is expected to exceed budget by 5.1% primarily from an improved payor mix providing a more favorable collection rate. Net patient revenue is forecasted to increase conservatively in fiscal years 2019-2021. The increase is primarily attributed to an increase in the average daily census, an improved payor mix, offset with a decline to the 1115 Waiver through 2020. The 1115 Waiver provides federal funding for public hospital redesign and incentives as well as funding to assist with the uninsured population. Although, the Centers for Medicaid and Medicare Services (CMS) agreed to extend the 1115 Waiver through 2020, there was an overall reduction in funding due to the reduction of the uninsured population as a result of the Affordable Care Act.

Operating Expenses: Current year operating expenses are expected to be higher than budget by 2.67% due to patient volume increases. Operating expenses for fiscal years 2020-2022, are projected to increase by an annual average of 4.3% due to annual cost increases for projected patient volume and increases in employee salaries and benefits, medical supplies, other medical services, and utilities.

Capital Expenditures: The current year and the forecasted years include numerous capital projects. NMC is projected to spend on average about $42.2 million per year from FY 2019-20 to FY 2021-22 on capital projects. A capital strategic reserve fund has been established for capital projects and purchase of equipment. Some of the projects include: (1) Remodeling the Radiology Department and replacing obsolescent medical equipment including the Computer Tomography (CT) and Magnetic Resonance Imaging (MRI); (2) Remodeling the Pharmacy Department updating the Current IV compounding facilities to meet new regulation standards; (3) Replacing the current nurse call system; (4) Expanding the Natividad Medical Group primary care clinic adding after hours urgent care services, seven additional exam rooms bringing the total to eleven and one procedure room. In addition, NMC capital expenditures include the replacement of medical and IT equipment nearing end of useful life.

Net Results: NMC projects an increase in net position in the forecasted years from operations totaling $52.2 million.

Parks – Lakes Resorts – The Parks Lake & Resort Operations Fund is a County enterprise fund, defined as a proprietary fund that provides goods and services to the public for a free, which makes the entity self-supporting.

Parks - Lakes Resorts	Modified Budget 2018-19	Year-End Estimate 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
A. Beginning Fund Balance	(3,384,569)	(3,384,569)	(1,016,288)	(885,644)	(779,888)
B. Revenue	6,027,418	8,088,928	5,842,418	5,842,418	5,842,418
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	2,642,849	4,704,359	4,826,130	4,956,774	5,062,530
E. Expenditures	5,989,559	5,720,647	5,711,774	5,736,662	5,736,662
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	5,989,559	5,720,647	5,711,774	5,736,662	5,736,662
H. Ending Fund Balance, D-G	$ (3,346,710)	$ (1,016,288)	$ (885,644)	$ (779,888)	$ (674,132)

The fund began FY 2018-19 with a negative $3.4 million net position and is estimated to end the current year with a negative $1.0 million. The improvement in net position results from a $2.2 million subsidy from the General Fund to offset on-going operating deficits and a reduction in expenditures from a reimbursement for property loss.

Overall revenues are estimated to increase $2.0 million due to several factors. The main driver is the $2.2 million General Fund subsidy provided to assist with the annual operating deficit. Offsetting this is $185,000 loss of revenue resulting from the cancellation of the planned special event “Lightning in a Bottle”. On a positive note, the Water Resource Agency reports rainfall in January 2019 at Nacimiento and LSA exceeds prior years by 4.93 and 4.72 inches, respectively. This is good news for both Lake Nacimiento and Lake San Antonio camping and day use revenues, which are expected to come in at budget. Expenditures are projected to decrease by $268,912 from a one-time reimbursement of $150,000 to recover costs for the cleanup and remediation of fire damage at Lake Nacimiento, and a reduction in temporary staff.

The forecast estimates revenues and expenditures to remain steady (after factoring out the one-time General Fund subsidy in the current year) as the RMA states it has made progress with a maintenance plan that will ultimately provide for a better recreational experience and promote visitor incentive to return. The forecast years cautiously assume that lake levels remain at a level to accommodate visitors and assume the same level of visitors and recreational activity as estimated during the current year.