



County of Monterey FY 2020-21 Budget End of Year Report

County Administrative Office



Recommended Actions

- a. Receive and accept the Budget End-of-Year Report for FY 2020-21 from the County Administrative Office.
- b. Support to authorize the County Administrative Office to make the following fund balance designations in FY 2021-22 and authorize and direct the Auditor-Controller to make the fund balance changes in Advantage:
 - 1. Designate \$30,641,609 to a Section 115 pension trust assignment to be transferred to the County's Section 115 pension trust.
 - 2. Replenish the Compensated Absences Assignment by \$9,527,138 to continue to keep reserves for employee vacation accruals.
 - 3. Designate \$3,100,000 in a sub-account in the General Capital Assignment for the future replacement of the Sheriff radios.
 - 4. Designate \$526,700 in a sub-account in the General Capital Assignment for the capital equipment for the Elections Department.
 - 5. Transfer \$550,000 from the Information Technology Charges Mitigation Assignment to the new sub-account within the General Capital Assignment for capital equipment for the Elections Department.
- c. Support a \$3,524,746 Natividad contribution to the pension trust (Fund 030) towards its share of the CalPERS miscellaneous plan's pension liability.



FY 2020-21 End of Year Results Favorable*

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Unassigned Fund Balance (FY 2019-20)	\$ 0.6	\$ 0.6	\$ 0.3
Cancellation - Restricted Fund Balance	5.3	5.4	5.7
Cancellation - Strategic Reserve	-	6.3	6.3
Cancellation - Assigned Fund Balance	40.3	67.4	66.5
Revenues	669.8	706.5	743.5
Total Financing Sources	\$ 716.0	\$ 786.3	\$ 822.3
Financing Uses:			
Addition - Restricted Fund Balance	\$ -	\$ -	\$ 19.5
Addition - Strategic Reserve/Pension Trust ¹	-	-	45.5
Addition - Assigned Fund Balance ¹	-	-	31.5
Expenditures	716.0	786.3	719.4
Total Financing Uses	\$ 716.0	\$ 786.3	\$ 815.9
Estimated Unassigned Fund Balance:	\$ -	\$ -	\$ 6.5

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

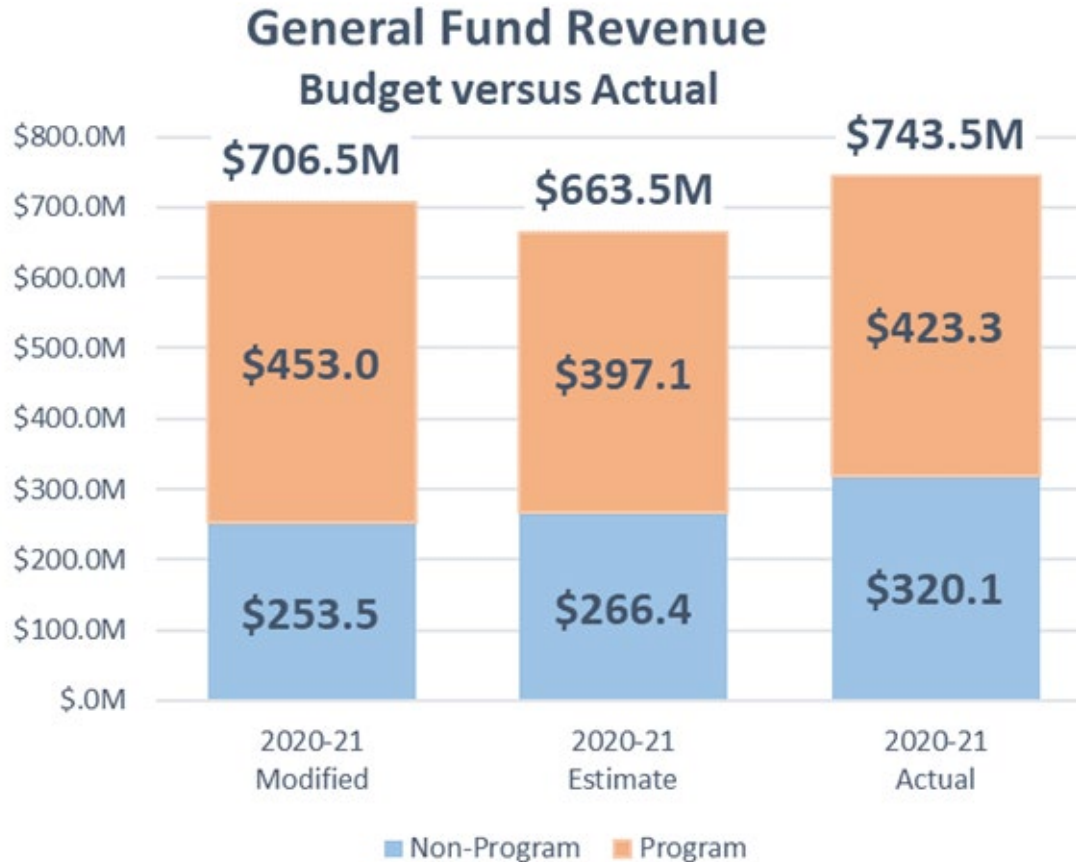
¹ Includes recommended designations to assignments

* Unaudited Results

- Operating surplus of \$24.1 million
- Added \$8.5 million to the strategic reserve; fully funding it at 10% of General Fund Revenues
- Added \$30.6 million to 115 pension trust
- The pandemic created significant challenges, but estimated unassigned fund balance grows to \$6.5 million
- Positive results could not have been accomplished without federal aid to respond to the pandemic (\$41.4 million CARES and \$9.7 million ARPA revenues).



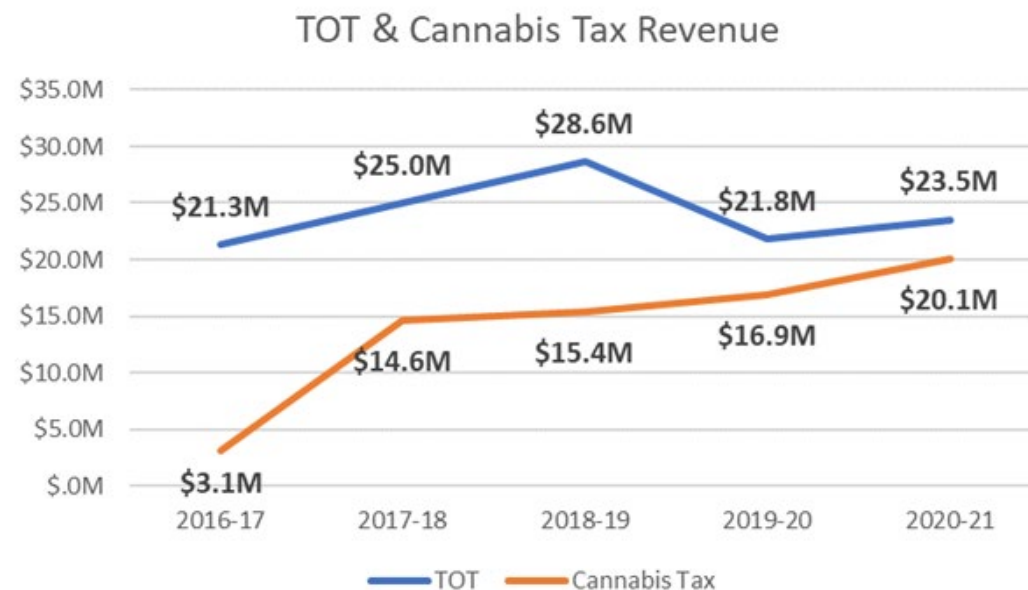
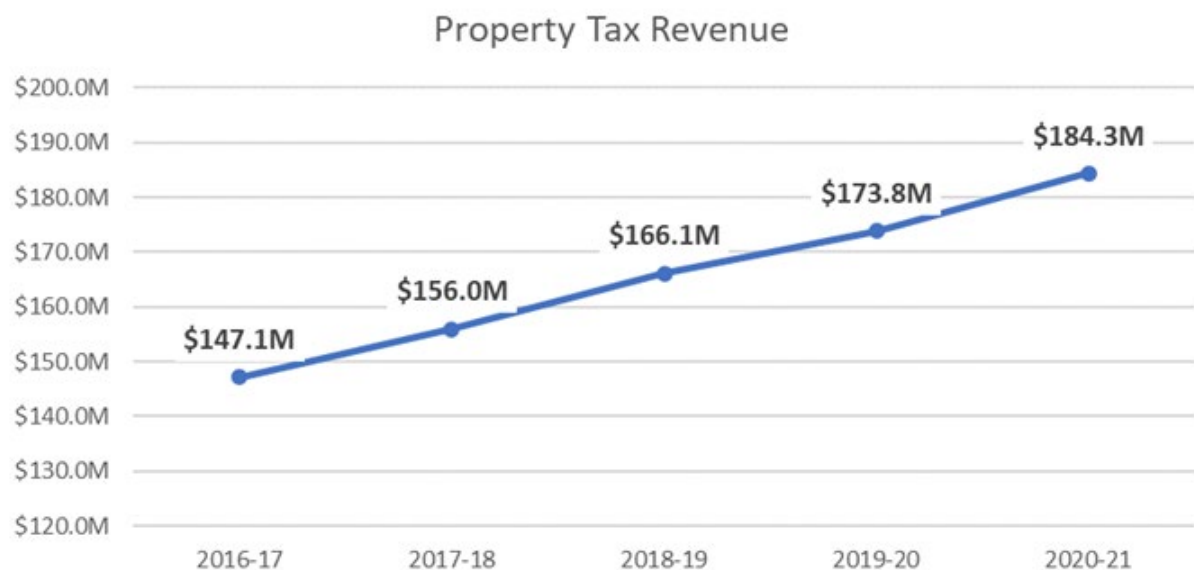
Revenue Performance



- Total Revenue Higher than budget by \$37 million
- Discretionary non-program revenue performed better than budget by \$66.6 million, of which \$40.4 was due to CARES and ARPA
- Program revenue was \$29.7 million below budget. Primary drivers impacting program revenue shortfalls:
 - Lower caseloads in social service programs (\$15.6 million)
 - Health Revenues (\$9.6 million), redirection of staff for pandemic response



Discretionary Non-Program Revenue

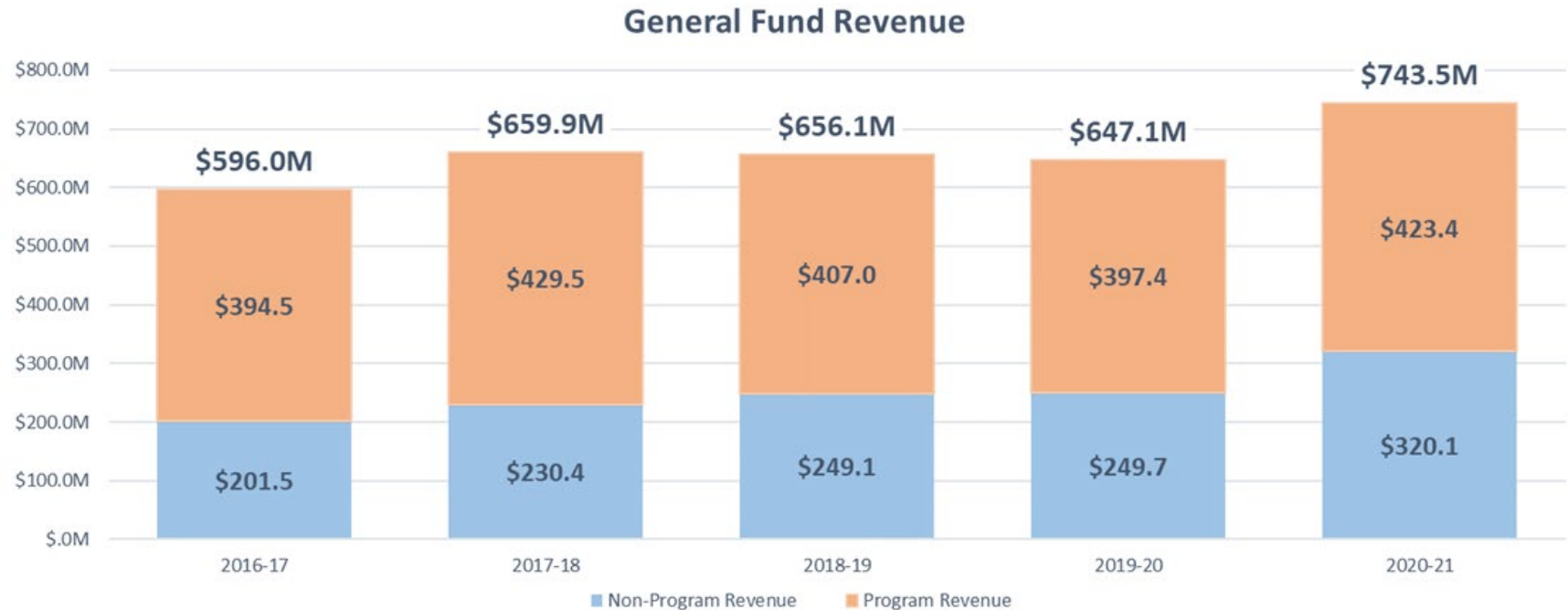


- Property Tax Revenue continued to grow.
- Transient Occupancy Tax increased, getting closer to pre-pandemic levels (FY 2018-19 revenue included one time U.S. Open impact).
- Cannabis Revenue continued to increase. **Effective FY 2020-21**, annual cannabis revenue was distributed as discretionary GFC to the Departments, up to prior year Board approved levels.



General Fund Revenue Trend

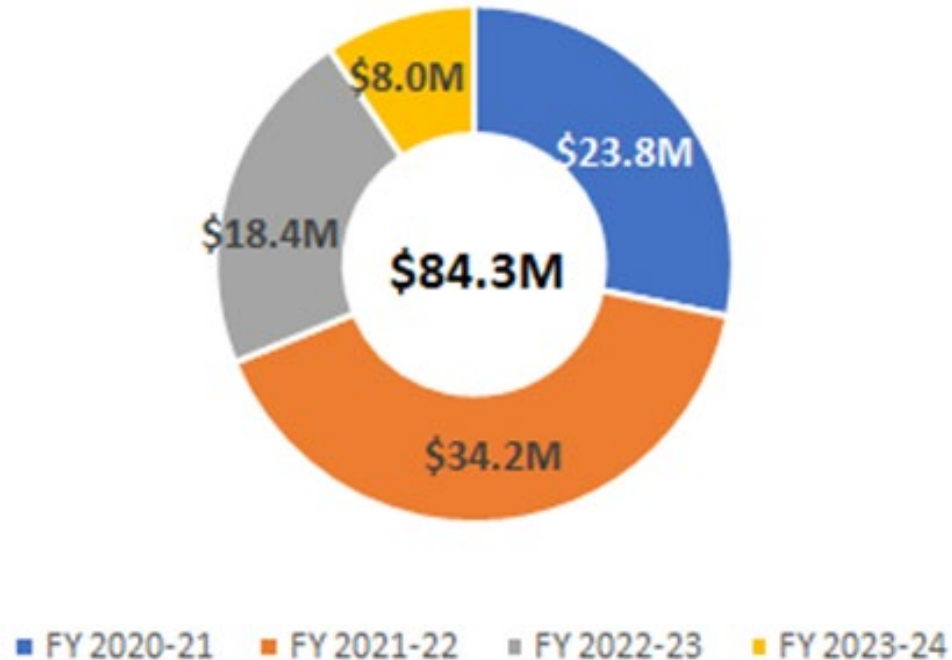
- Revenue increased by \$95.9 million over the previous year with primary change in non-program revenue (CARES \$41.4 million, ARPA \$9.7 million).
- Adjusting for these one-time federal funds, revenue increased by \$45.3 million
- Social Services Revenue Increase \$20.5 million, and Health revenue increased \$13.5





One Time Federal Funding

The County's ARPA Allocation by Fiscal Year



- CARES funds \$41.4 million recognized in FY 2020-21
- ARPA Revenue total allocation \$84.3 million
 - \$23.8 million was allocated to FY 2020-21, but only \$9.7 million was recognized
 - CAO Budget office will return to the Budget Committee and Board of Supervisors to plan the use of unspent ARPA funds as part of the FY 2022-23 budget process.



General Fund Expenditures

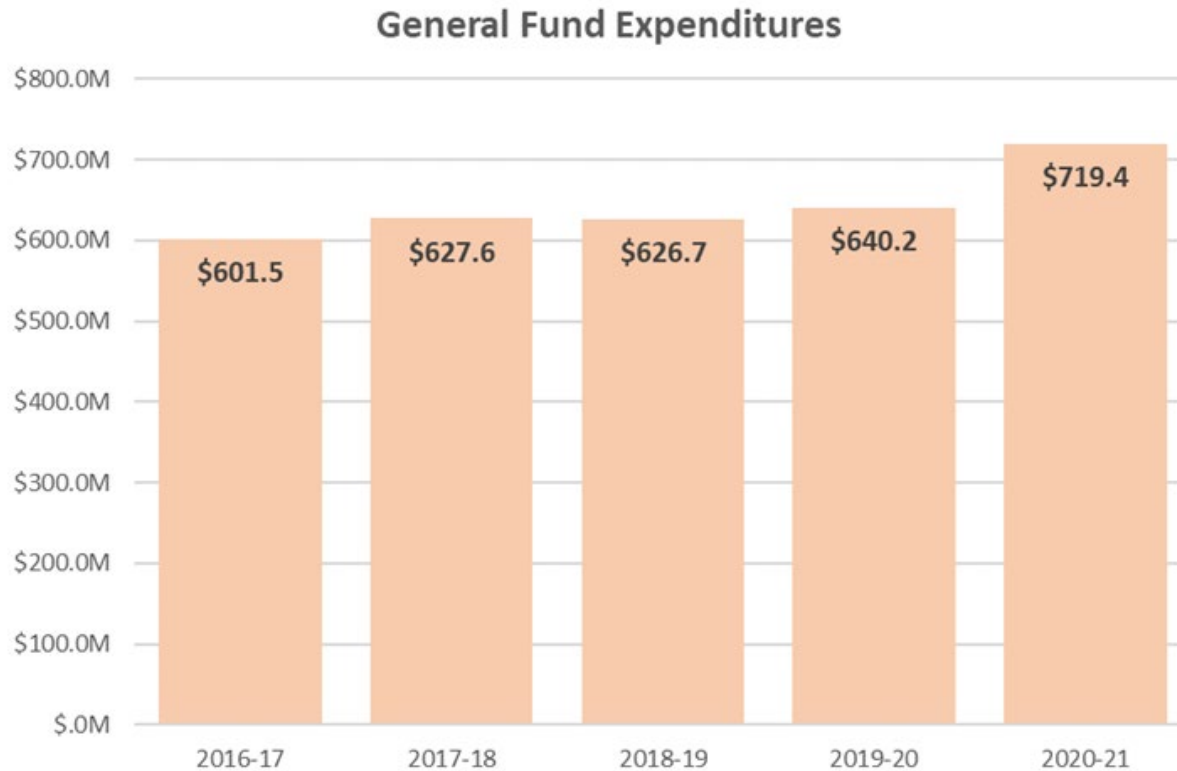
General Fund Expenditures
Budget versus Actual



- Expenditures were lower than budget by \$66.9 million.
- Primary areas include with lower expenditures include:
 - \$13.1 million in the CAO's Department
 - \$26.8 million in Social Services (\$13.3 million in rental assistance programs, \$6.9 million salary savings, and \$5.7 million in out of home care)
 - \$11.3 million in the Health Department, with \$10.7 in salary savings as the main driver



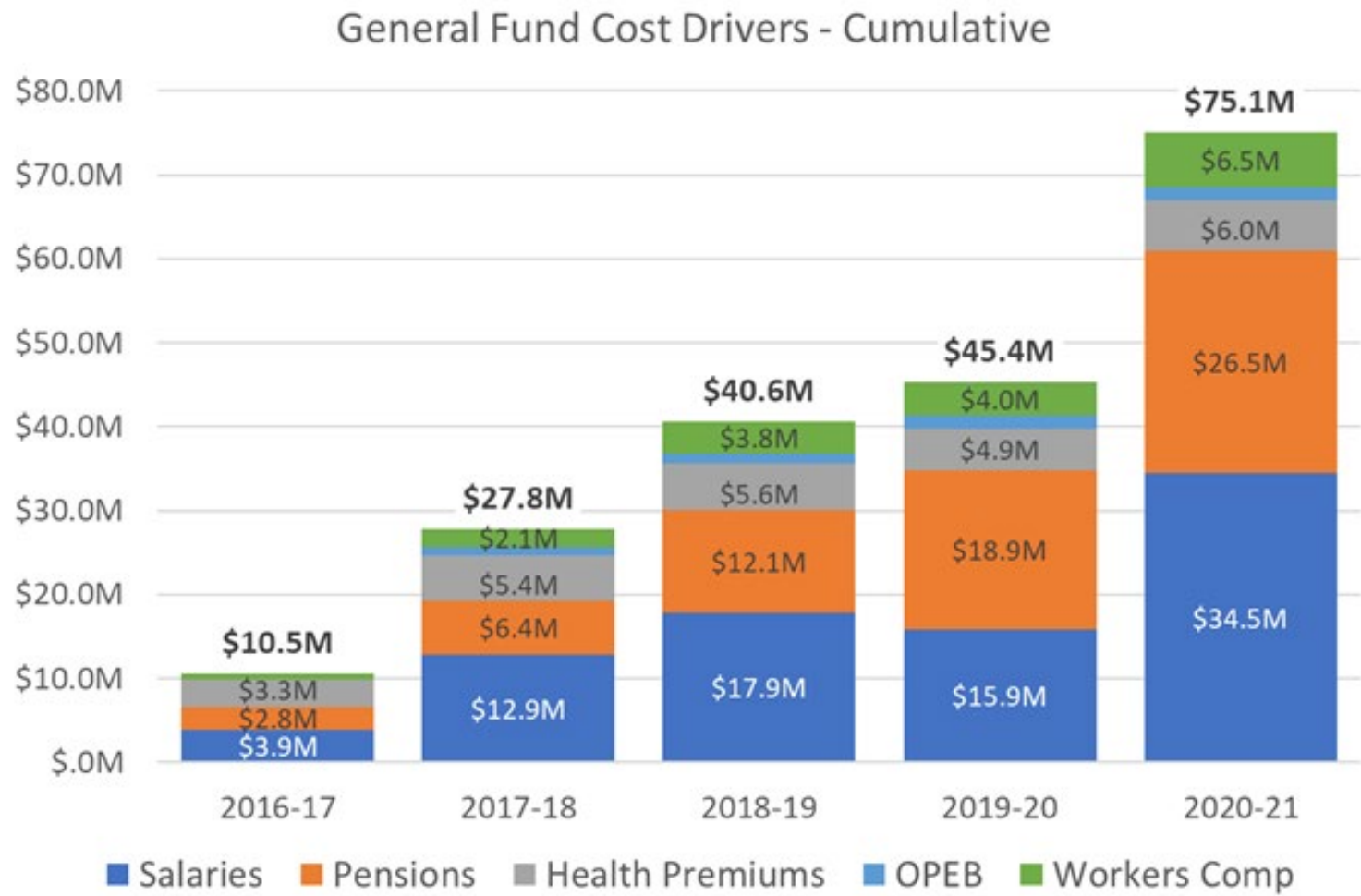
General Fund Expenditure Trend



- Expenditures were higher than prior year by \$79.2 million. Trend continues to show growth in expenditures year over year.
- Major areas of cost increases include:
 - \$41 million in transfers out – such as \$25.8 in the Building Improvement and Replacement fund and \$10.5 million for vehicle replacement fund.
 - \$6.6 million in the health department due to pandemic response costs
 - \$2.8 million in Emergency Operation Center pandemic response costs



General Fund Cost Drivers

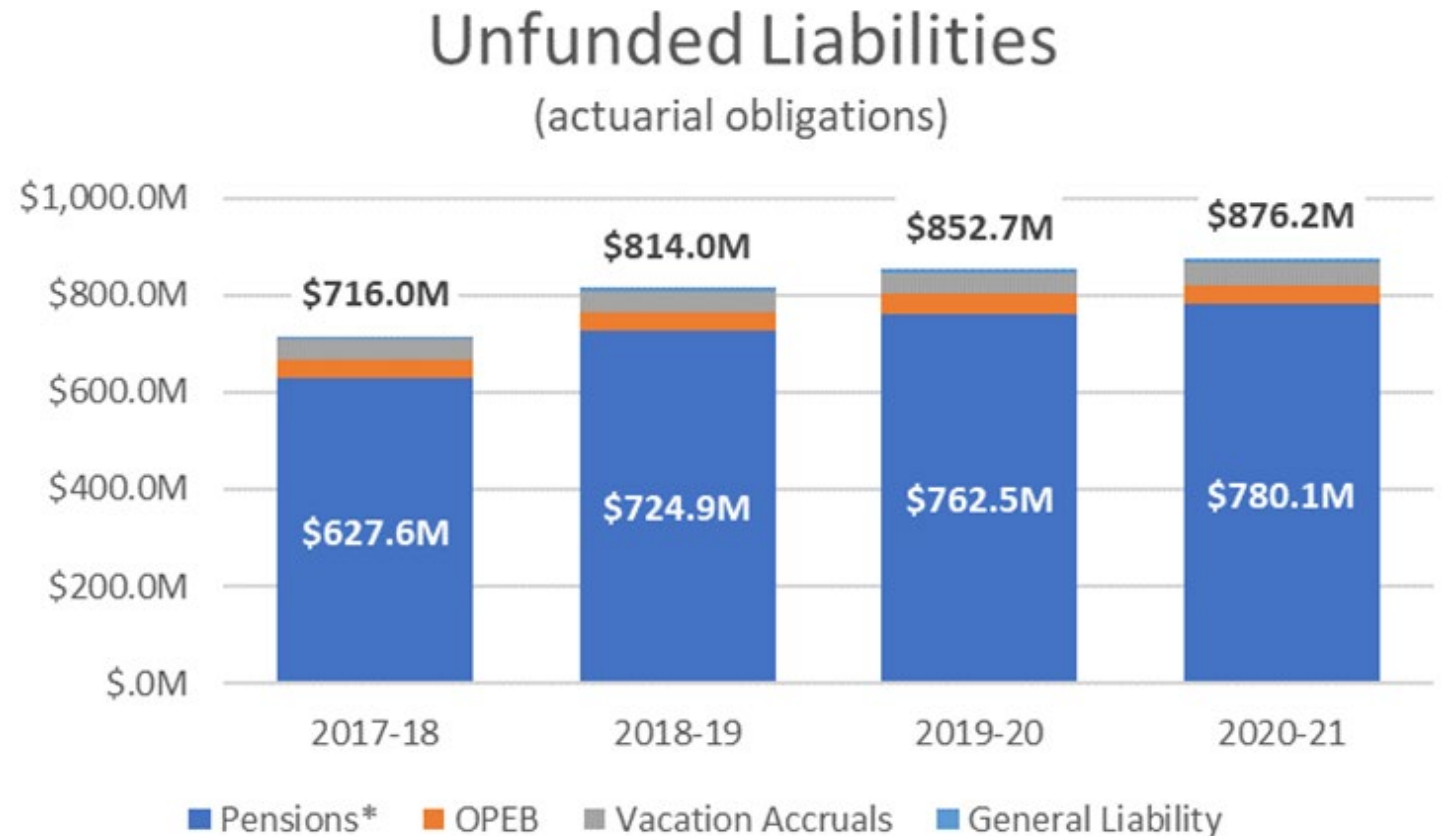


- Salary costs increased \$18.6 million over the prior year
- Contributions to CalPERS pension costs increased \$7.6 million
- Health Care Costs increased by \$1.1 million



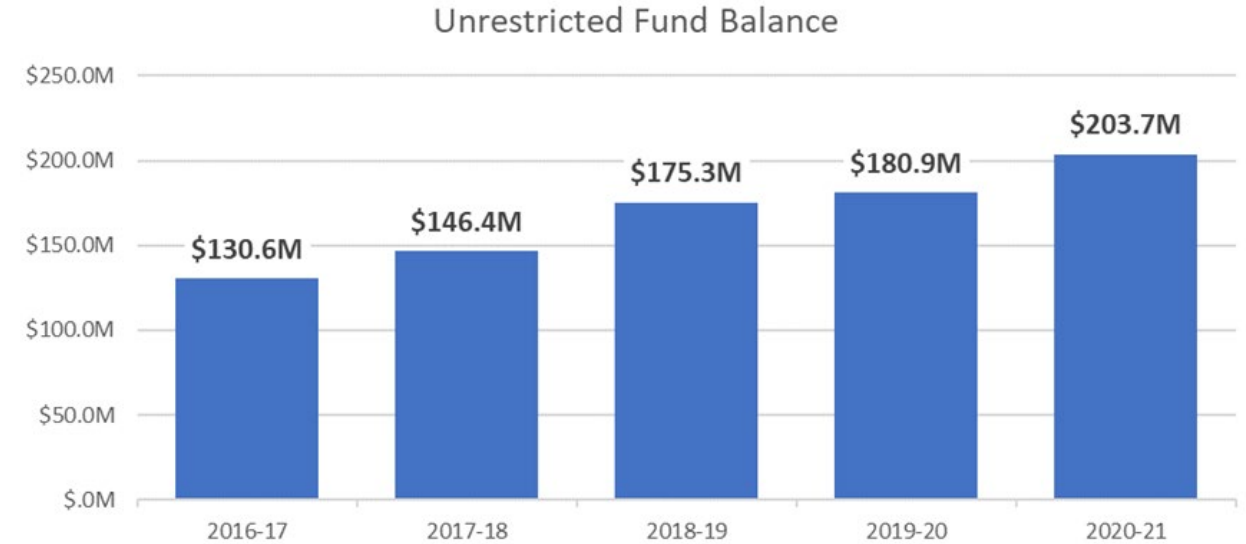
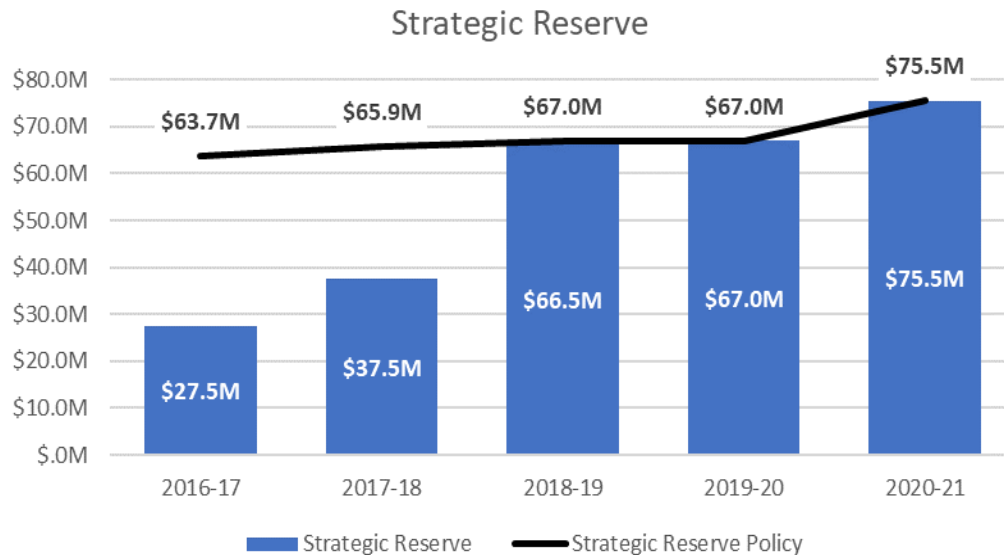
Unfunded Liabilities – Long Term Impact

- Unfunded Liability: the present value of funds available to pay accrued liabilities (based on actuarial reports)
- Pensions represent the County's largest unfunded liability
- Most recent increases in pension liability due to a change in the discount rate from 7.5% to 7% over a three-year period. Sharp increases in unfunded liability should stabilize by FY 2024-25.
- County began to address this unfunded liability by establishment of 115 pension trust





Fund Balance and Strategic Reserve



- Even in challenging times, the County has been able to grow its Strategic Reserve met the goal of 10% of GF revenues as set by Board Policy
- Unrestricted fund balance also shows improvement over the last five fiscal years
- This is due to sound financial policies and practices guided by the Board of Supervisors, and prudent financial management by County departments



Performance by Department- General Fund

- Sixteen Departments ended the year with positive results while four ended the year over their budgeted General Fund Contribution for a net \$9.8 million positive result
- FY 2020-21 was an unusual year with many challenges created by the pandemic
- Impact to operations would have been greater if federal aid was not received

General Fund Department	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to (Adjusted) Actual
Agricultural Commissioner	\$4,075,676	\$4,005,676	\$3,336,990	\$668,686	\$738,686
Assessor-County Clerk-Rec.	5,696,101	4,663,052	3,704,614	958,438	1,964,922
Auditor-Controller (Deptl)	392,825	181,096	(209,986)	391,082	602,811
Board of Supervisors	3,990,058	3,842,832	3,768,540	74,292	221,518
Child Support Services	441,829	200,224	(165,879)	366,103	607,708
Civil Rights Office	(242,248)	(242,248)	(401,996)	159,748	159,748
Clerk of the Board	922,197	824,278	826,523	(2,245)	95,674
Cooperative Extension Service	449,668	449,526	463,817	(14,291)	(14,149)
County Admin Office (Departl)	32,812,118	18,355,714	26,488,546	(8,132,832)	6,323,571
County Counsel	3,118,078	2,728,881	2,113,500	615,381	1,004,578
District Attorney	20,249,595	19,957,034	20,062,630	(105,596)	98,804
Elections	6,063,211	6,052,654	4,154,695	1,897,959	1,908,516
Health	20,121,264	28,159,461	18,494,746	9,664,715	(6,574,829)
Human Resources	124,304	95,350	93,906	1,444	30,398
Information Technology	(1,980,974)	(1,980,974)	(3,296,818)	1,315,844	927,299
Probation	25,406,287	25,999,783	26,051,807	(52,024)	(645,520)
Public Defender	14,657,481	14,654,614	14,207,361	447,253	450,120
Resource Management Agency	19,355,124	21,506,432	19,771,139	1,735,293	(416,015)
Sheriff-Coroner	82,411,529	82,110,906	79,794,219	2,316,687	2,325,859
Social Services	16,991,065	21,498,704	5,864,308	15,634,396	(185,061)
Treasurer-Tax Collector	(80,813)	(59,674)	(215,841)	156,167	135,028
General Fund Department Totals ¹	\$254,974,375	\$253,003,321	\$224,906,822	\$28,096,499	\$9,759,665



Other Funds

- The Road Fund ended the fiscal year with \$23 million in fund balance, representing an increase of \$ 5.7 from prior year due to vacancies and postponement of seven construction projects. Accordingly, both revenues and expenditures were below budget.
- The Library Fund also ended the year with higher than budgeted ending fund balance by \$1.9 million due to lower expenditures resulting from vacancies and higher property tax revenues.
- Behavioral Health Fund had an increase in fund balance of \$16.7 million for an ending fund balance of \$50.3 million. Of this total, \$8.4 million is assigned for future potential liabilities, \$2.4 is for the No Place Like Home program, and \$39.5 is unassigned.
- Emergency Communications ended the year with a fund balance of \$1.7 million, a \$618,747 increase. This is the second year of this fund. Financial activity was previously captured in the General Fund.



Other Funds - Continued

- Natividad Medical Center ended the year with an increase in fund balance of \$3 million. This increase is a result of increased patient services and state and federal aid received due to the pandemic.
- The Nacimiento Lake and Resorts Fund ended the year with a fund balance of \$1.9 million. Prior year beginning fund balance was negative \$470,279, but the Board provided a \$1.9 subsidy, which helped offset that balance. Excluding this subsidy, the operating results yielded a positive result of \$421,326. Of the \$1.9 million fund balance, \$940,531 is unassigned.
- Laguna Seca (Fund 453) ended the year with a fund balance of \$965,703, a reduction of \$875,266.



Recap of Recommended Actions

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Questions