Executive Summary

Introduction

The County Administrative Office is pleased to present the *Fiscal Year (FY) 2017-18 Recommended Budget*. This *executive summary* provides an overview of the County's fiscal condition, issues affecting the budget, and recommended spending plan for the fiscal year that commences July 1, 2017. Following the executive summary is information about the County's fiscal outlook, strategic initiatives, financial policies, and departmental budgets in a narrative format, providing additional details of each department's services and finances. The recommended budget concludes with discussion about the County's financial contributions to other agencies, fiscal obligations, and other resources that may prove helpful to the reader.

The recommended budget will be presented to the Board of Supervisors (Board) for consideration at public budget hearings scheduled to begin on June 5, 2017. Upon adoption, the budget provides needed spending authority for the next fiscal year and represents the Board's spending priorities on behalf of the citizens of Monterey County.

County Government

The County is a general law county comprised of ten elected officials including a five-member Board of Supervisors, Assessor-County Clerk-Recorder, Auditor-Controller, District Attorney, Sheriff and Treasurer-Tax Collector. All ten officers are elected to four-year terms. A County Administrative Officer is appointed by the Board and functions as the chief executive officer.

The Board adopts policies, establishes programs, appoints non-elected department heads, and adopts annual budgets for County departments. The Board also serves as the governing body for various special districts and agencies.

The Board generally meets every Tuesday in the Board Chambers of the Government Center to discuss and vote on County policy items. The meeting schedule and agenda are posted weekly on the Clerk of the Board's website, located at www.co.monterey.ca.us/cob.

2017 Monterey County Board of Supervisors

From left to right: Jane Parker (representing Del Rey Oaks, Marina, Sand City, Seaside, Southwest Salinas), Simón Salinas (representing East Salinas, Spreckels, Chualar, Greenfield, Gonzales, Ft. Hunter Liggett, King City, Soledad, Lake San Antonio, South County), Mary Adams (Chair, representing Carmel, Carmel Valley, Big Sur, Pacific Grove, Pebble Beach, Monterey, Hwy 68, Las Palmas), John M. Phillips (representing Aromas, Boronda, Castroville, Las Lomas, Moss Landing, North Salinas, Pajaro, Prundale, and Royal Oaks); and Luis Alejo (representing most of urban Salinas).

Budget Process

The budget process begins in December, when preliminary budget instructions are provided to department finance staff for development of a three-year forecast and the FY 2017-18 budget. In

February departments forecast their revenues and expenditures and potential funding gaps for the current year, the coming budget year, and two out years. The Forecast is presented in March, and provides a glimpse of the operational challenges that lie ahead given the continuance of current service levels and available financing sources. In March, departments submit their baseline budgets, identify funding gaps, budget impacts, and request augmentations for additional County contributions.

During the months of March and April, departments and County Administrative Office staff work together to finalize the budgets based on the Board's policies and priorities and available financing. During this time, the County Administrative Office maintains open communication about the fiscal challenges that are shaping the budget through constant communication with departments and through budget workshops with Department Heads and the Board. The County Administrative Office incorporates feedback and prioritizes spending in line with Board priorities to create a comprehensive, well-informed, and rational spending plan for the new fiscal year.

Upon adoption in June, department managers and the County Administrative Office analyze revenue and expenditure detail throughout the year to ensure compliance with the Board's approved spending plan.

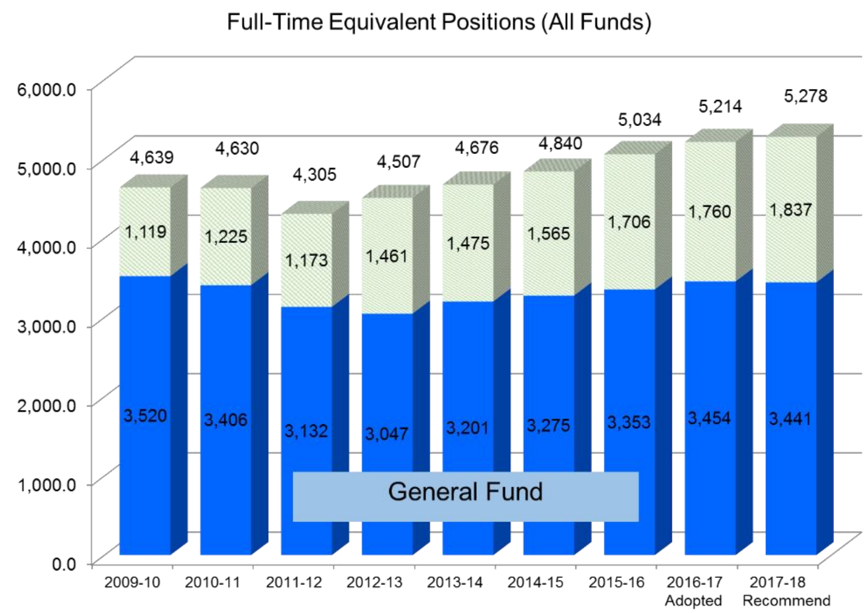
Current Financial Condition

General fund revenue has grown $92.3 million over the last five fiscal years - FY 2011-12 to the FY 2016-17 adopted budget - and an additional increase of $15.2 million is projected for FY 2017-18. The portion representing the County's discretionary "non-program" revenue has increased by $38.2 million over the same five-year time-period, with an additional increase of $10.7 million projected for FY 2017-18. The revenue growth has allowed the Board to make positive investments over the last few years, including:

Securing the County's finances: Since the recession, the Board strengthened financial policies to restore ongoing revenues and expenditures and invested year-end surpluses in its strategic reserve and other reserves for infrastructure. General fund balance increased from $76.5 million in FY 2009-10 to $148.9 million in FY 2015-16. Within this fund balance is the strategic reserve, which increased from $37.3 million to $56.1 million over the same time-period. Because of the Board's prudence and foresight, the County was in a strong position to weather significant damage caused by natural disasters in the current year as well as cover legal costs exceeding normal reserves designated for litigation. During the current year, the Board authorized $30.9 million in transfers from the strategic reserve to address extraordinary events including $16.8 million to begin critical repairs resulting from the *Soberanes Fire* and winter storms, $9.5 million to cover capital improvements and legal costs to comply with the *Hernandez v. County of Monterey* settlement, and $3.9 million to defend Measure Z.

***Improving the County's infrastructure*:** The County has invested significant resources to leverage State funding for a new 120-bed Juvenile Hall that will replace the existing 1950's facility and a 576-bed jail expansion to the existing jail facility. These investments include $23.7 million in County funds (including the $5.9 million construction bid increase) to secure $35.0 million in State funds for the Juvenile Hall and $8.9 million in County funds to acquire $80.0 million in State funds for the jail expansion. Other investments include the issuance of Certificates of Participation (COPs) to preserve the historic East and West Wings of the Monterey County Courthouse and authorization of $13.0 million to acquire the $36.0 million Schilling Place complex.

Conserving the County's workforce: The County added 909 positions (322 in General Fund) since adoption of the FY 2011-12 budget to better meet departments' workload demands and service goals; with the majority of growth occurring in departments affected by state – county realignment programs, such as health, social services, and public safety programs. The recommended budget seeks to preserve current service levels and staffing. In addition, effective in FY 2016-17, the Board approved three-year bargaining agreements. In the first year, miscellaneous (non-safety) unit employees received a 1.5% salary increase, to be followed by a 2.5% raise in the second year and a 3.0% raise in the third year. Safety units in the Probation Department received a 2.5% wage increase in the first year, to be followed by 2.0% and 2.5% in years two and three, respectively. Most other safety unit employees received a 2.5% raise in the first year, to be followed by a 2.5% increase in the second year, and 3.0% in the third year. In addition, the County has continued to provide valuable benefits to our employees, absorbing an estimated $11.6 million in employee health insurance premium increases over the span of three years through FY 2016-17 and an estimated $11.1 million in increased pension contributions in the general fund over the same time-period.



Focus on Public Safety: Over the last four fiscal years, the County added $24.0 million in increased appropriations to the Sheriff's Office from FY 2012-13 to the FY 2016-17 adopted budget to address rising safety employee compensation and enable the Office to add 41 filled "sworn" officers. Included in the increased appropriations is funding that was approved for an additional 11 patrol deputies and the addition of six custody control specialists in December 2015. Additional augmentations are recommended for next fiscal year and are discussed later.

Contributions to Other Agencies: The Board increased discretionary contributions to other agencies by $1.5 million since FY 2012-13, including an additional $557,726 for development set-aside agencies, an increase of $611,124 for fire agencies, and $334,680 in increases to cities as an incentive for participating in the 911 consolidated dispatch center.

Contributions to the Road Fund: The Board adopted a policy to contribute a portion of the transient occupancy tax (discretionary revenue) to the Road Fund. Prior to this policy, the Road Fund received a flat contribution of $2.0 million. Based on the formula and the increasing trend in transient occupancy tax, the contribution has grown to $4.9 million in FY 2016-17, a $2.9 million increase since FY 2012-13. The contribution grows an additional $539,880 next fiscal year.

Recommended Budget – All Funds

Recommended appropriations for all funds, departments and programs total $1.5 billion next fiscal year, supporting a workforce of 5,278.4 authorized positions. The budget reflects an increase of $117.1 million over the prior year adopted budget. Significant budget changes since adoption of the FY 2016-17 budget include:

- **Utilizes $68.1 million in fund balance for capital projects and other planned, one-time needs.** Of this amount, $42.8 million is general fund balance (discussed below), and $25.2 million represents fund balance in other funds, of which $21.4 million is in the Facilities Master Plan fund, for planned capital projects.

All Funds		2015-16 Actual		2016-17 Adopted		2017-18 Recommend
Expenditures						
Salaries & Benefits	$	553.1	$	606.4	$	636.7
Services & Supplies		318.7		359.7		366.1
Other Charges		94.6		81.7		89.3
Fixed Assets		45.8		137.1		155.8
Op. Transfers Out		146.4		175.5		228.0
Gain/Loss on Capital Asets		-		-		-
Contingencies		-		4.7		6.4
Total Expenditures	**$**	**1,158.5**	**$**	**1,365.2**	**$**	**1,482.3**
Revenues						
Taxes	$	188.7	$	191.4	$	207.5
Licenses, Permits & Franchises		20.5		21.8		22.8
Fines, Forfeitures & Penalties		9.8		11.8		11.0
State & Federal Aid		444.8		547.1		554.0
Charges for Current Services		338.4		322.5		359.7
Other Revenues		237.1		232.0		259.0
Total Revenues	**$**	**1,239.3**	**$**	**1,326.6**	**$**	**1,414.1**
Use of Fund Balance	**$**	**(80.8)**	**$**	**38.6**	**$**	**68.1**
FTE Positions		**5,059.5**		**5,213.7**		**5,278.4**

- **Revenue increases $87.5 million.** Much of the estimated revenue is in Natividad Medical Center (NMC), projecting a $30.9 million improvement in revenue, primarily due to higher patient volume at the hospital and improvement in collection of fees as more patients are insured. NMC also expects $21.6 million more in operating transfers in from the Facilities Master Plan fund for reimbursement of capital projects. Additional revenues of $13.6 million are included in the budget for the assumption of the Laguna Seca Track operations. The Health Department anticipates it will collect $9.9 million more in federal and State aid, primarily for the implementation of the Whole Person Care program and expansion of clinics. Non-program revenue increases $10.7 million over the current year budget, largely due to higher property tax revenue due to a continued positive outlook on home value assessments and an increase in sales and use tax revenue based on current economic trends.

- **Increased labor costs**. Costs to support the County's workforce grow $30.3 million in the recommended budget. Of this growth, about half or an estimated $15.6 million is attributed to salary growth resulting from bargaining agreements between the County and employee bargaining units that took effect in FY 2016-17. The increase can also be attributed to a $4.3 million increase in pension contributions on behalf of employees' pensions, and an increase in employee health insurance rates, which adds $4.0 million over the current year budget. The County added 64.7 positions over the current year adopted budget. The largest increase in staffing is in NMC, with a recommended increase of 67.4 positions due to a larger volume of patients and the Health Department added 36.8 positions, primarily to expand primary care clinics. These two departments account for nearly all the year-over-year increase in positions, partially offset with reductions in other departments. Nearly half of the $30.3 million growth in salary and benefit expenditures is attributed to NMC alone.

- **Expansion of primary care and behavioral health services**. The recommended Health Department budget includes overall growth of $16.8 million. Growth of $8.0 million in expenditures is due to the implementation of the *Whole Person Care* program, a five-year pilot program which coordinates physical health, behavioral health, and social services for Medi-Cal beneficiaries who are high users of multiple systems. Growth of $7.7 million is attributed to the expanded capacity in clinic services and public health. A growth in insured residents has stemmed from the implementation of the *Affordable Care Act* (ACA). Approximately 40% of County residents are eligible for Medi-Cal, of which approximately 130,000 are enrolled in Medi-Cal Managed Care. Additional residents are insured through Covered California, and as of May 2016, all remaining uninsured up to 18 years of age (approximately 6,000-8,000) are eligible for full scope Medi-Cal. Clinic services have approximately 45,000 Medi-Cal patients, but is expected to increase further due to expansion of clinics in Salinas and a new clinic in Seaside, as well as extended hours to serve more patients. The recommended budget authorizes new positions, primarily to augment staffing for primary care clinics and to coordinate the *Whole Person Care* program.

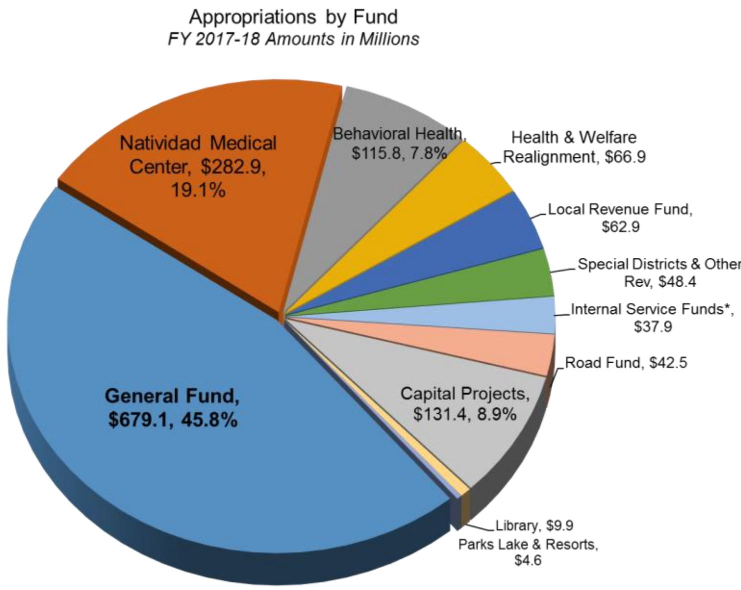
- **Capital projects construction**. The recommended budget for the Resource Management Agency (RMA) increases $28.1 million over the current year adopted budget. The increase is primarily due to increased construction costs of $34.2 million, of which the East and West Wing renovation accounts for $27.3 million. The remaining increases are due to construction costs for the New Juvenile Hall and Jail Housing Addition project. Major construction progress for the three projects occurs in FY 2017-18.
- **Responding to extraordinary events.** The recommended budget includes funding of $7.3 million to address potential cash flow needs pending federal and State reimbursements in the RMA for critical repairs of damaged infrastructure caused by the *Soberanes Fire* and the winter storms. The $7.3 million represents the estimated residual of the $16.8 million previously authorized by the Board. This funding allows the County to continue repair work to restore infrastructure and services for County residents.
- **Information technology infrastructure replacement**. The recommended budget provides an additional $4.2 million to replace end-of-life hardware and software for voice, data, video, and radio services. Additionally, the recommended budget includes $10.9 million for the Enterprise Resource Planning (ERP) project, which upgrades the obsolete system with a new version of the built-for-government software that integrates financial management, human resources, payroll, budgets, procurement, and vendor self-service functionality.
- **Other increased County costs.** The County assumed operations of the Laguna Seca Track from the concessionaire, which added $13.6 million in expenditures and offsetting revenue in the recommended budget. Additionally, operating transfers between funds increased $52.0 million. The increase can be attributed to transfers from the general fund to other funds to cover capital projects such as the Juvenile Hall and East and West Wing renovation, transfers from NMC for hospital related capital projects, and transfers from health realignment funds to the general fund to reimburse for staffing and services.

Recommended appropriations by fund. The chart on the next page displays recommended appropriations to the various funds overseen by the County Board of Supervisors.

The general fund is the largest fund at $679.1 million and represents 46% of the recommended appropriations. Natividad Medical Center is the County's second largest fund, with appropriations totaling $282.9 million, or 19% of the County's budget.

Appropriations for behavioral health, social services, and public safety programs related to the *2011 Realignment* are included in three funds: *Behavioral Health Fund* ($115.8 million), *Health and Welfare Realignment Fund* ($66.9 million), and the *Local Revenue Fund* to account for public safety and other realignment funds ($62.9 million). Monies for realigned programs are accounted for in these funds and transferred to general fund operating departments on a cost reimbursement basis.

Special District and Other Revenue Funds includes services financed by specific revenue sources that are legally restricted to specified purposes. Examples include the County Service Areas (CSAs), County Sanitation Districts (CSDs), In-Home Supportive Services (IHSS), Office of Employment Training (OET), economic development programs, special districts, Fort Ord Reuse, Emergency Medical Services, and other restricted revenue funds. Appropriations for these funds total $48.4 million.



* Includes programs for general liability, workers' compensation, and employee benefits.

Internal service funds (ISFs), which include the County's general liability, workers' compensation, and employee benefits funds, total $37.9 million. The general liability fund provides for all liability judgments, settlements, and claims against the County, including claims that are not covered by the County's excess insurance policy. The workers' compensation fund provides for all workers' compensation judgments, settlements, and claims against the County, including prevention expenses and the return-to-work program. The benefit programs fund provides for various benefit programs supported by contributions from County departments and employees (both current and retired). Programs include dental and vision benefits for employees and dependents, employee assistance, long-term disability, retiree sick leave conversion, and other miscellaneous programs including the Alternate Benefit Option (ABO) and Dependent Care Assistance Plan (DECAP).

Other special revenue funds include the Road Fund ($42.5 million) and the Library Fund ($9.9 million). The Parks Lakes and Resorts Enterprise Fund includes $4.6 million in recommended appropriations.

Capital projects funds, used to account for financial resources for implementation of Board approved capital projects, equipment purchases, or facilities, are recommended at $131.4 million.

Recommended Budget – General Fund

Recommended appropriations for the general fund total $679.1 million next fiscal year, supporting a workforce of 3,441.1 authorized positions. The general fund supports 23 departments which encompass most County services and basic governmental functions including public safety and criminal justice, health, social services, land use, recreation, environment, administration and finance. Appropriations increase by $45.4 million over the current year adopted budget. Following is an overview and highlights of the recommended budget for the general fund:

- **Utilizes $42.9 million in fund balance for infrastructure projects and other planned one-time needs**. The recommended budget uses special purpose fund balance reserves to pay for planned, one-time expenditures, including next year's costs related to construction of the new Juvenile Hall, costs for repair of damage caused by the *Soberanes Fire* and the winter storms, replacement of aging technology, funding to cover increased construction costs for the East and West Wing, support of a remodel in the 2nd Floor of the Government Center for relocated staff, new funding commitments including the Salinas Valley Basin Groundwater Sustainability Agency and the Monterey Bay

General Fund	2015-16 Actual	2016-17 Adopted	2017-18 Recommend
Expenditures			
Salaries & Benefits	$ 352.2	$ 392.5	$ 407.7
Services & Supplies	137.2	146.1	167.3
Other Charges	23.3	27.0	33.6
Fixed Assets	10.7	10.5	9.9
Op. Transfers Out	37.6	52.8	54.2
Contingencies	-	4.7	6.4
Total Expenditures	**$ 560.9**	**$ 633.7**	**$ 679.1**
Revenues			
Taxes	$ 178.8	$ 178.0	$ 192.2
Licenses, Permits & Franchis	20.3	21.8	22.0
Fines, Forfeitures & Penalties	8.7	9.2	8.5
State & Federal Aid	192.8	219.7	209.6
Charges for Current Services	70.4	77.8	80.4
Other Revenues	99.3	114.6	123.6
Total Revenues	**$ 570.3**	**$ 621.1**	**$ 636.3**
Use of Fund Balance	**$ (9.3)**	**$ 12.6**	**$ 42.9**
FTE Positions	**3,352.0**	**3,453.8**	**3,441.1**

*Numbers may not add up due to rounding.

Community Power agreement, and to fund the contingencies appropriation. Fund balance is also used to cover the general fund portion of the FY 2016-17 ERP charges, to minimize impact to departmental budgets.

- **Estimated revenue increases $15.2 million**. Non-program revenue, the source of discretionary revenue, is estimated to grow $10.7 million as assessed home values drive property tax revenues higher. Additionally, the Health Department anticipates revenue will increase by $7.9 million, derived primarily from federal and State reimbursements as well as increased patient fees for the expansion of clinic services. The County Administrative Office anticipates increased revenues of $13.6 million from the Laguna Seca Track function. Gains in these revenue sources are partially offset with technical adjustments including a $9.4 million decrease in revenue and expenditures for indigent health care that was budgeted in the general fund in the FY 2016-17 adopted budget, but is budgeted in a health realignment fund effective FY 2017-18 and a $6.5 million technical adjustment on the way RMA accounts for its cost plan credits and charges.

- **Labor cost increase an estimated $15.2 million**. The bargaining agreements added the bulk ($9.6 million) of the increased labor cost for next fiscal year. The authorized pay raises were not included in the current year adopted budget, as negotiations were still in progress during budget development. Other sources of increased labor costs include higher pension contributions, increased health insurance premiums, and scheduled step advances. Public safety departments such as the Sheriff's Office and the Probation Department account for $5.1 million (33%) of the increased labor costs and are mostly supported with increases in general fund contributions. The Health Department accounts for $4.2 million of the increase (28%), supported primarily with federal and State reimbursements.

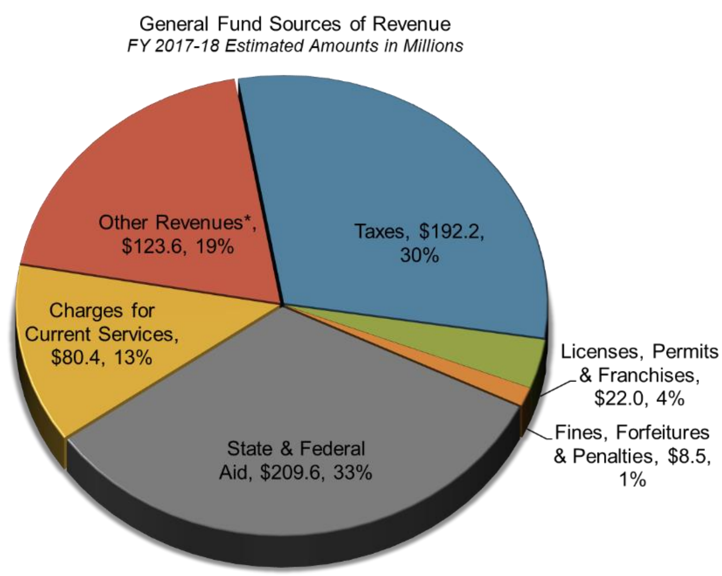
- **Provides funding for the new Juvenile Hall**. The recommended budget appropriates $15.1 million as operating transfers from the general fund to capital project funds for the Juvenile Hall to cover the County's share of construction costs.

- **Includes funding to respond to extraordinary events.** Significant natural events including the *Soberanes Fire* and the winter storms have caused major damage to County roads, land, and infrastructure. The recommended budget includes funding for the most critical repairs during FY 2017-18. The Board authorized $16.8 million for these repairs, including $8.5 million for the County's estimated share of cost and $8.3 million to "cash flow" the estimated federal and State share of costs for immediate (FY 2016-17) work.

- **Supports expansion of County primary care clinics**. The Health Department has seen increased demand for primary care services in County clinics due to a higher insured population stemming from the Affordable Care Act. Primary care clinic expansion has been underway to meet increased demand for services, including growth in Salinas and the new Seaside clinic. The Health Department's general fund budget increases $10.1 million mostly due to the increased capacity of clinics, which is supported by federal and State reimbursements as well as patient fees.
- **Includes $6.4 million for operational contingencies.** In compliance with the County's financial policies, the budget appropriates $6.4 million (1% of estimated general fund revenue) for critical, unanticipated needs that emerge next fiscal year and cannot be funded within departments' appropriated resources. The $6.4 million appropriation represents an increase of $1.7 million over the current year adopted budget.
- **Provides funding for replacement of systems and information technology infrastructure.** The County is in the process of finalizing upgrade implementation of a countywide enterprise software system. The general fund recommended budget includes an estimated $7.8 million in charges for the upgrade, including $5.1 million in deferred charges from FY 2016-17. The FY 2016-17 deferred charges will be funded by release of fund balance to minimize impacts to departmental operations. The recommended budget also includes $4.2 million to replace core technology, especially hardware at risk of failure to avoid work disruptions.
- **Increased funding to the Road Fund.** The recommended budget includes a contribution of $5.5 million to the Road Fund, an increase of $539,880 over the current year. Board policy directs a portion of transient occupancy tax (discretionary revenue) to the Road Fund, in recognition that well maintained roads contribute to the value and overall economic vitality of the County.
- **Increased funding for existing and new commitments**. Funding is included for increased utility costs to operate the Schilling Complex. Funding is also included to continue new programs that serve homeless populations, to form the Salinas Valley Groundwater Sustainability Agency, and fund the County's share to participate in the Monterey Bay Community Power regional project.

General Fund Revenues

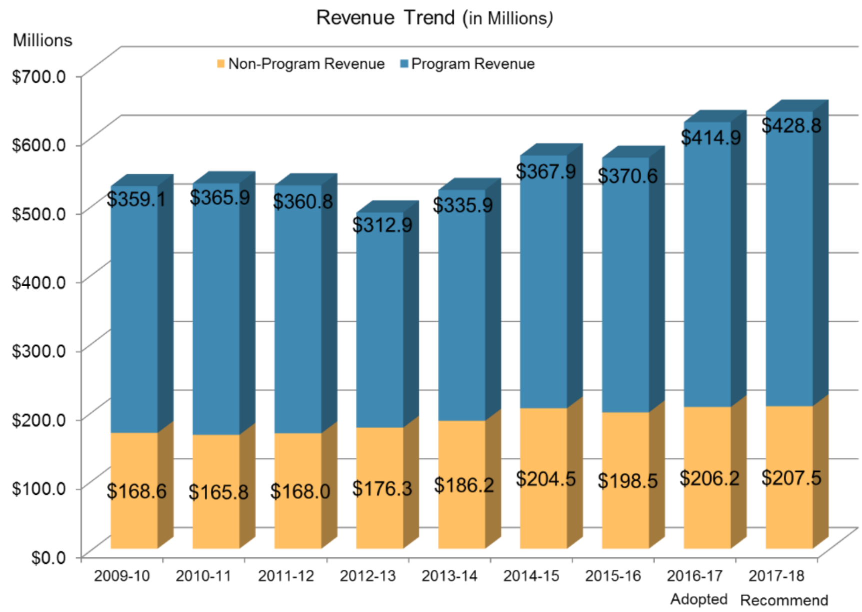
Estimated general fund revenues total $636.3 million for FY 2017-18. Revenue from federal and State sources is the largest revenue source estimated at $209.6 million, a decrease of $10.1 million, primarily due to a $9.4 million technical adjustment transferring indigent health care monies to a realignment fund. The County's social services and health programs are the largest recipients of these revenues and rely on these monies as the primary means of supporting their programs.



* Includes operating transfers into the general fund from other funds ($99.9 million), tobacco settlement monies ($3.5 million), rents & concessions ($10.9 million), and various miscellaneous revenues.

Revenue from *Taxes* total an estimated $192.2 million and represent the bulk of the County's discretionary monies. Other sources of funding include: *charges for services* ($80.4 million); *other revenues* ($123.6 million), which mostly include operating transfers received from the three realignment funds mentioned earlier; revenue from *license, permit, and franchise fees* ($22.0 million); and *fines, forfeitures, and penalties* ($8.5 million).

General fund revenues are further categorized as “program” and “non-program” based on the source of and purpose for the funding.



Program revenues account for two-thirds of general fund revenue. Program revenues are primarily from State and federal sources and are typically provided for a statutory purpose and by law must be spent on designated activities. The recommended budget includes estimated program revenues of $428.8 million, an increase of $13.9 million from the current year budget.

Non-Program Revenues grow $10.7 million and account for one-third of general fund revenue. Non-program revenues total an estimated $207.5 million, and are distributed to departments in the form of General Fund Contributions (GFC). This revenue source allows the County a level of flexibility to address local needs and priorities. Historically, the County uses its discretionary revenues to support public safety, County finance and other administrative functions, meet maintenance of effort requirements, and to provide matching funds as a condition for receiving federal and State assistance. The largest sources of non-program revenues include property taxes (70%), transient occupancy tax (10%), and sales and use tax (7%). The remaining (13%) is derived from franchise fees, tobacco settlement, investment income, and other miscellaneous revenue.

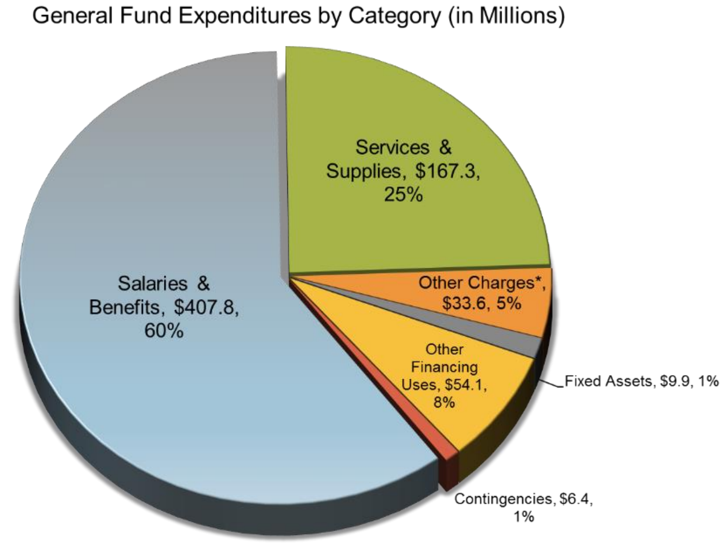
The current year general fund adopted budget includes $9.4 million of Vehicle License Fee (VLF) monies, which are now deposited directly into a health realignment fund for use on indigent medical care (no longer received in general fund). Excluding this technical change, the non-program revenue increases by $10.7 million over the current year adopted budget.

The increase in non-program revenue is attributed to growth in property tax due to a positive outlook in assessed values, which is projected to increase 5.5% next fiscal year, and continued improvement in sales and use tax based on current economic trends. Transient occupancy tax (TOT) revenues have historically contributed to the improvement in non-program revenue. However, due to the recent damage caused by the fire events and winter storms to high tourism areas, the TOT is anticipated to decrease by $1.9 million below the current year adopted budget.

Estimates for commercial cannabis tax pending. In November 2016, Monterey County residents approved an ordinance imposing a business tax on commercial cannabis businesses in the unincorporated area of Monterey County, beginning January 2017. The recommended budget includes $376,929 in cannabis tax revenue to support critical positions to launch the program. However, at the time of this writing, there isn't sufficient revenue data available for an accurate projection. The Treasurer-Tax Collector is implementing the tax collection for the cannabis program. Staff anticipates that sufficient data will be available to project revenue in the first quarter of next fiscal year.

General Fund Appropriations

Major expenditures for general fund departments are as follows:



* Includes $85.0 million in other charges including public assistance & out of home care payments ($69.9 million) and transfers to County departments for support of various programs/projects. These charges are offset with $51.3 million in payments (negative expenditures) from other funds for reimbursement for services provided to non-general fund departments.

Salaries and Benefits. The bulk of discretionary general fund spending supports the County's workforce. Salaries and benefits expenditures, totaling $407.8 million, comprise nearly two-thirds of general fund appropriations.

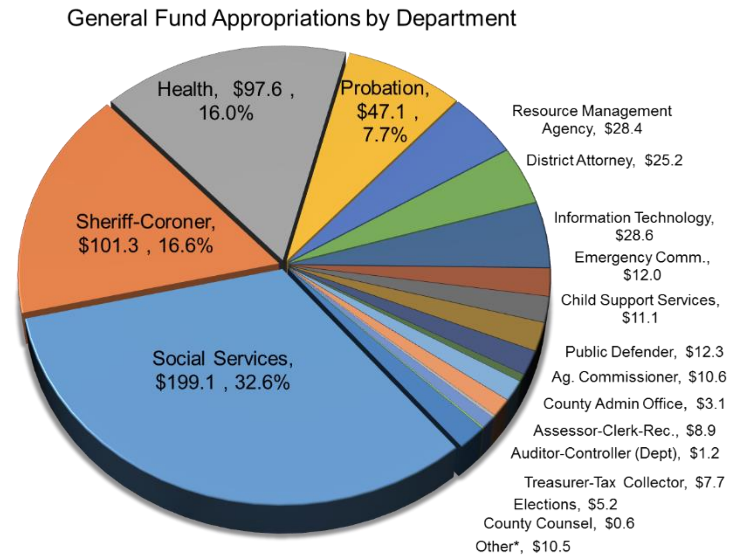
Services and Supplies is the second largest category of expenditure, accounting for 25% of the County's expenditures. This category includes goods and services to support the County's workforce such as building rents and maintenance, utilities, insurance, data processing, equipment, and supplies. This category also includes general liability program costs and agreements with community providers and vendors to help carry out the County's business. The recommended budget for services and supplies totals $167.3 million, which increases $21.2 million from the current year adopted budget, primarily due to a $13.6 million increase in the County Administrative Office for the assumption of the Laguna Seca Track operations, as well as increases for the ERP upgrade and general liability insurance.

Other Charges includes payments for public assistance, out of home care, and contributions to other agencies; "other charges" total $85.0 million, of which $69.9 million is in public assistance and out of home care payments. This category also includes cost plan charges as well as reimbursements from other funds.

The remaining recommended appropriations include operating transfers to other funds for debt service, capital projects, contributions to others, etc. ($54.1 million), fixed assets/equipment purchases ($9.9 million), and funding for operational contingencies ($6.4 million).

Recommended general fund appropriations are budgeted in 23 departments with a combined total of approximately 200 budget units, established for various departmental requirements and programs. Appropriations for these departments and programs total $679.1 million. Over three-quarters of recommended appropriations provide for three functional areas: social services, health, and public safety/criminal justice (Sheriff's Office, Probation, District Attorney, Public Defender, and Emergency Communications). General fund appropriations for Health and Social Services total $97.6 million and $199.1 million, respectively, and are primarily supported by federal and State revenue. The Sheriff's Office ($101.3 million), Probation ($47.1 million), and the District Attorney ($25.2 million) rely on a mix of federal and State revenue and general fund contributions, while the Public Defender ($12.3 million) is primarily supported by general fund contributions. Emergency Communications ($12.0

million) is financed by user agency contributions, with the County as the largest user agency providing about 30% of the Department's total funding. The table in the next page details recommended appropriations for all general fund departments compared to the current year adopted budget and prior year actual expenditure levels. Augmentations are discussed later.



* Excludes non-departmental costs.
**Includes Human Resources, Board of Supervisors, Clerk of the Board, Economic Opportunity, Equal Employment Opportunity, & Cooperative Extension. Chart excludes non-departmental costs such as bond payments, trial courts, contributions to fire districts and other agencies, inter fund transfer reimbursements for I.T., and various miscellaneous countywide expenditures.

Some departments experienced a change in appropriations due to technical adjustments. One such adjustment reflects decreases in departmental appropriations for Information Technology (I.T.) and the County wellness program. In recent years, the County has been transitioning away from the practice of general fund departments charging each other for services. This practice adds complexity to the budget process without commensurate value. Beginning next fiscal year, I.T. and the wellness program will no longer charge general fund departments for countywide services and instead receive the funding through the annual budget process. To formalize the change, departments' GFC allocations were reduced in the amount equal to charges they previously paid for these services, making it a budget neutral event. GFC was reallocated from general fund departments to the Information Technology Department and Health to cover the expenses. A few departments within the general fund will still be charged, including Health and Social Services so they can leverage reimbursement from the State and federal governments and other agencies.

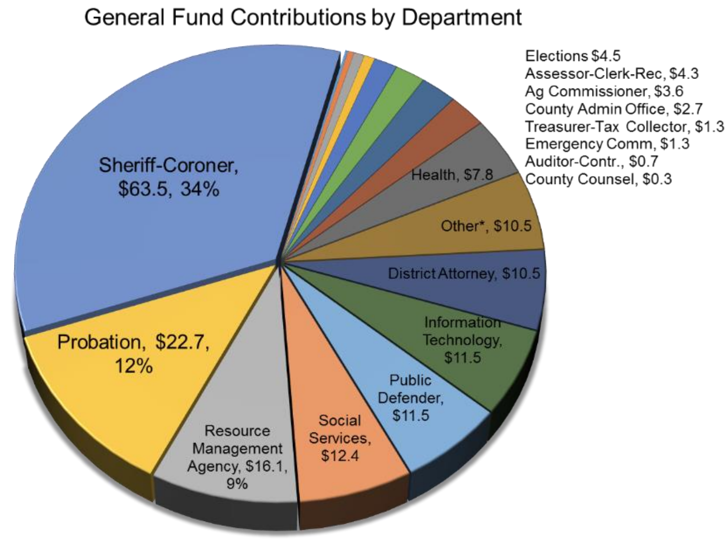
Another major change in appropriations for some departments can be attributed to updated cost plan charges, which varied widely for some departments. Departments budgeted cost plan charges in the current year based on estimated charges. The Auditor-Controller's Office has since updated the charges based on actual cost, and there were significant variances in some departments.

Department	2015-16 Actual	2016-17 Adopted	2017-18 Recommend	Growth: Dollars	%
Agricultural Commissioner	10,579,426	10,642,114	10,597,765	$ (44,349)	-0.4%
Assessor-Clerk-Rec.	7,824,883	9,115,348	8,940,648	(174,700)	-1.9%
Auditor-Controller (Dept)	5,294,163	1,491,164	1,197,852	(293,312)	-19.7%
Board of Supervisors	3,063,579	3,463,775	3,880,624	416,849	12.0%
Child Support Services	10,824,994	11,002,171	11,145,527	143,356	1.3%
Clerk of the Board	737,242	924,652	926,634	1,982	0.2%
Cooperative Extension Service	514,574	579,524	463,881	(115,643)	-20.0%
County Admin Office (Dept)	7,415,365	5,128,273	3,099,874	(2,028,399)	-39.6%
County Counsel	7,377,851	3,454,359	622,938	(2,831,421)	-82.0%
District Attorney	23,569,386	25,080,150	25,248,218	168,068	0.7%
Economic Opportunity	3,116,718	3,341,788	3,203,267	(138,521)	-4.1%
Elections	4,680,339	4,428,517	5,210,179	781,662	17.7%
Emergency Communications	11,915,937	12,186,711	12,020,275	(166,436)	-1.4%
Equal Opportunity Office	792,199	219,637	178,534	(41,103)	-18.7%
Health	72,839,103	87,545,869	97,599,335	10,053,466	11.5%
Human Resources	2,784,241	216,341	1,889,233	1,672,892	773.3%
Information Technology	23,062,006	21,251,536	28,587,890	7,336,354	34.5%
Parks	5,955,638	6,746,167	-	(6,746,167)	-100.0%
Probation	40,736,270	45,688,134	47,069,267	1,381,133	3.0%
Public Defender	11,202,458	11,539,694	12,319,767	780,073	6.8%
Resource Management Agency	22,210,960	28,430,379	28,366,761	(63,618)	-0.2%
Sheriff-Coroner	89,181,871	98,227,404	101,307,522	3,080,118	3.1%
Social Services	172,769,240	196,370,376	199,108,463	2,738,087	1.4%
Treasurer-Tax Collector	6,674,084	7,516,809	7,739,730	222,921	3.0%
Non-Departmental Costs[1]	15,821,088	39,064,299	68,393,597	29,329,298	75.1%
	560,943,615	633,655,191	679,117,781	$45,462,590	7.2%

[1]. Non-departmental costs include bond payments, funding for capital projects, trial courts transfers, contributions to fire districts and other agencies, and various countywide expenditures and expenditure offsets (e.g., IT interfund transfers).

General Fund Contributions

As discussed earlier, departments fund their operations with a mix of program and County discretionary revenue. The chart on the next page depicts departments' allocation of County discretionary monies. The recommended budget allocates over half (59%) of general fund contributions to support the public safety function, with the largest share, $63.5 million, allocated to the Sheriff's Office, followed by $22.7 million for Probation. The District Attorney receives $10.5 million while the Public Defender receives $11.5 million. Although Social Services and Health are among the larger departments in terms of staffing and appropriations, they only account for $12.4 million and $7.8 million of discretionary general fund contributions, respectively. Other significant allocations of County discretionary contributions include: $16.1 million for the Resource Management Agency, $11.5 million for the Information Technology Department, $4.3 million for the Assessor's Office, $4.5 million for Elections, and $3.6 million for the Agricultural Commissioner. The allocations have changed the last two fiscal years as some overhead departments receive a greater share of their financing from cost plan charges and other programs for their overhead services. The chart to the right reflects departments' general fund contributions inclusive of recommended augmentations (discussed later).

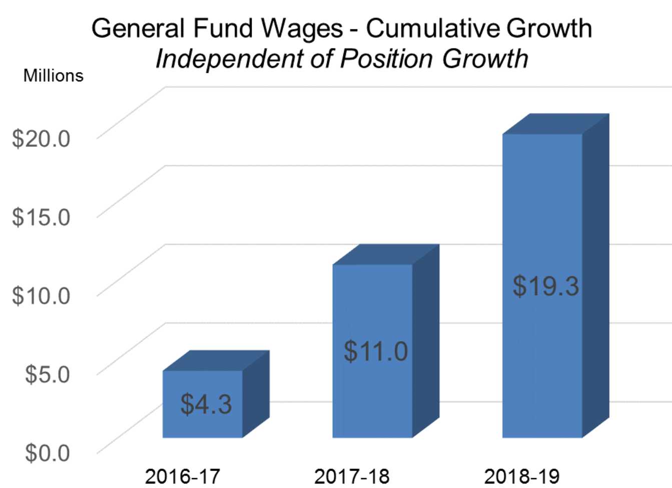


*Includes Human Resources, Board of Supervisors, Clerk of the Board, Economic Opportunity, Equal Employment Opportunity, & Cooperative Extension. Chart excludes non-departmental costs such as bond payments, trial courts, contributions to fire districts and other agencies, inter fund transfer reimbursements for I.T., and various miscellaneous countywide expenditures.

Cost Drivers Shaping the Recommended Budget

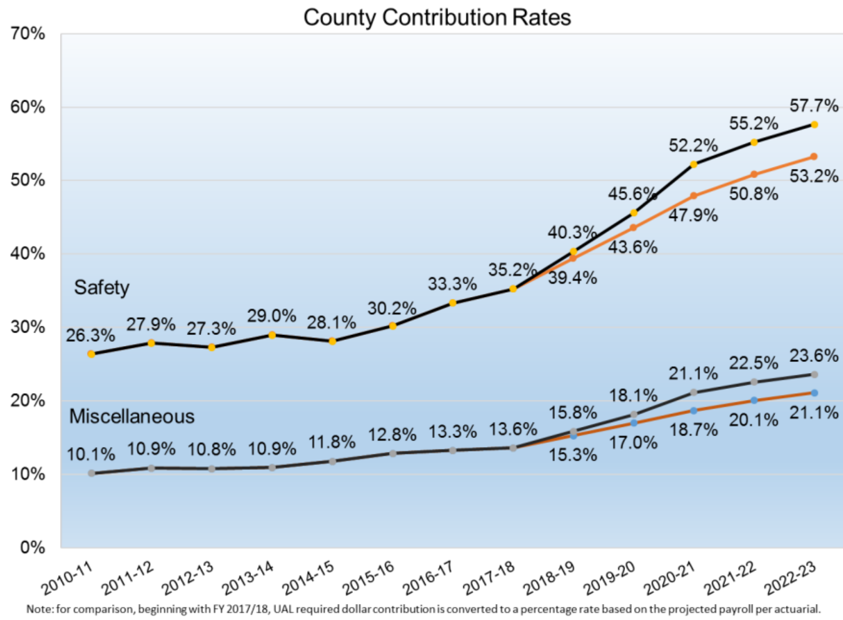
The County's revenue growth has not kept pace with escalating costs. Departments that operate on a cost-reimbursement basis, such as Social Services and Health, can pass along much of the increased cost to the federal and State government or other sources. Other departments cannot, and rely on augmentations of GFC to meet increased costs. Over the last several budget cycles, departments have eroded operational flexibility as they have eliminated vacant positions and other savings opportunities to absorb rising costs and keep their budgets balanced. Following is a discussion of ongoing cost drivers that are affecting the budget.

Increased expenditures due to salary growth. During FY 2016-17, the County authorized three-year bargaining agreements with most employee organizations. Miscellaneous (non-safety) bargaining units received a 1.5% increase in salary in the first year, 2.5% increase in the second year, and 3.0% increase in the third year. Safety units in the Probation Department received a 2.5% wage increase in year one, a 2.0% increase in year two, and a 2.5% increase in year three. Other safety units also signed three-year agreements, with most employees receiving a 2.5% wage increase in the first year, followed by increases of 2.5% in the second year, and 3.0% in the third year. These agreements add $4.3 million in County costs the first year, an additional $6.7 million in the second year, and an another $8.3 million in the third year. This cost is based on filled staffing levels using FY 2015-16 as a base year. The bargaining agreements will add an estimated $19.3 million over the three-year period independent of position growth or the rise of PERS retirement rates.



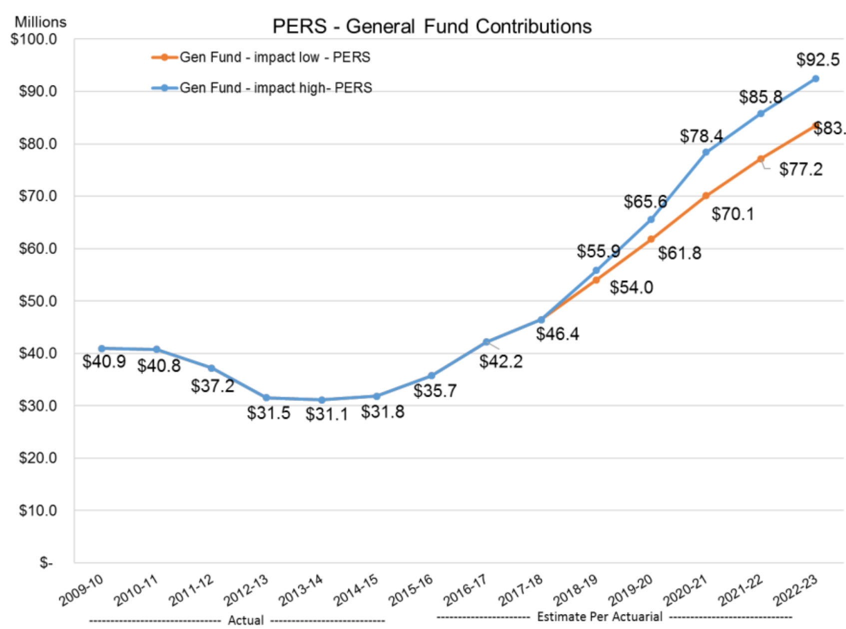
The increasing cost in wages and benefits has been ongoing, as prior year wage increases, pension rate increases, and health insurance premium hikes have accumulated over the years and increased cost of salaries and benefits from $307.3 million in FY 2012-13 to $407.8 million in the FY 2017-18 recommended budget, an increase of $100.5 million over the last five fiscal years.

Pension contributions are expected to increase dramatically in future years. Since FY 2014-15, the County's contributions toward employee pensions have increased due to changes in CalPERS' actuarial methodology. These changes include:



- Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.
- Adoption of new demographic assumptions that show retirees are living longer, and thus requiring higher lifetime payout of benefits.
- Approval of a new funding risk mitigation policy to incrementally lower the "discount rate", which represents CalPERS' expected annual rate of return on investments.

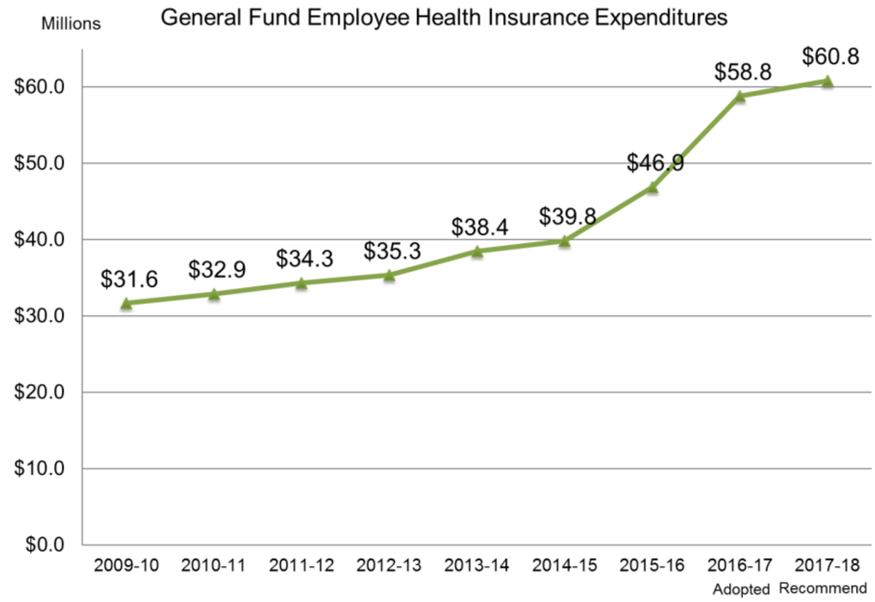
Based on actuarial data, the County's contributions to CalPERS increase $4.2 million in FY 2017-18. Future years are expected to increase at a much higher rate, due to the implementation of a discount rate reduction from 7.5% to 7.0%, to be phased in over three years, effective July 1, 2018. CalPERS' decision to lower the discount rate is due to changes in market conditions, including lower rates of return, greater volatility, and a desire to close the cash flow funding gap.



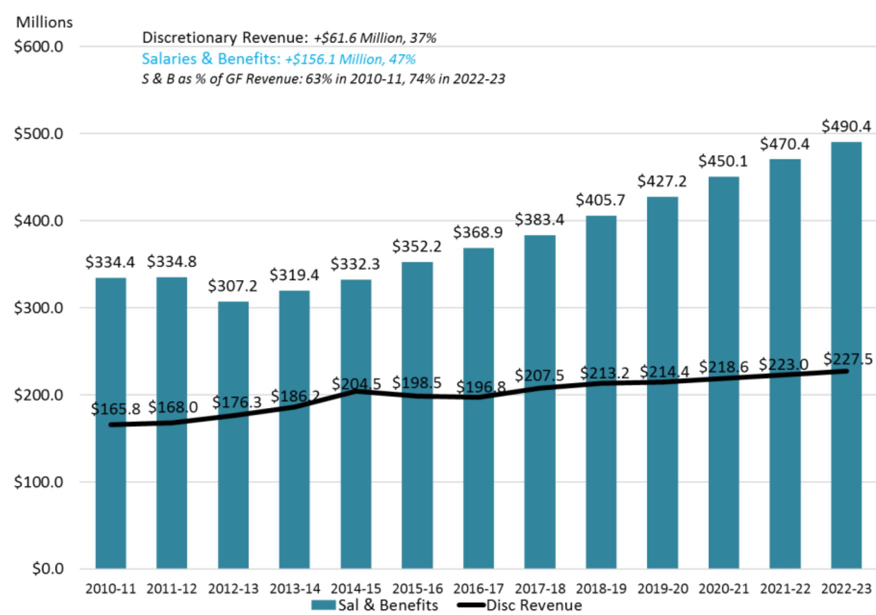
CalPERS has provided public agencies with estimates of potential cost increases, which are reflected in the charts on the prior page[1].

[1] On January 19, 2017, CalPERS released a Circular Letter regarding discount rate changes. The letter provided information to public agency employers to calculate projected pension cost increases in future years, which included low and high ranges

Rates increased by 0.26% for the Miscellaneous Plan and 1.93% of salary for the Safety Plan in FY 2017-18. The following year, will increase an estimated 1.7% to 2.2% for the Miscellaneous Plan, and 4.3% to 5.1% for the Safety Plan, adding an estimated $8.5 million in the general fund for FY 2018-19. Lowering the discount rate and other recent changes will gradually add $40 to $50 million more to the County's annual general fund contributions to the pension fund.



Employee health insurance continues to consume a greater share of the budget. A significant expenditure in the general fund is employee health insurance. Although the most recent premium information provided by CalPERS in January 2017 increases PERS Choice by a historically modest 3.1%, prior year increases have been significant and have exerted pressure on the County budget, consuming a larger share each year. Health insurance cost to the County increases $2.0 million in the general fund for FY 2017-18, however, over the last five years, cost for this benefit has increased $25.5 million, from FY 2012-13 to the FY 2017-18 recommended budget. The increase for January 2018 is still unknown and is not included in projected growth for next year.



Collectively, salary and benefits is a key driver for expenditure growth. The chart to the right models trends in salary and employer-paid benefits through FY 2022-23. These figures are independent of position growth. Future years consider the recently negotiated bargaining agreements and recently published information from CalPERS. Years beyond the current three-year bargaining agreements assume 2.5% in salary growth and 5.6% annual health premium growth (8-year average). Through the end of the forecast period, salaries and benefits expenditures grow $156.0 million from FY 2010-11. The growth is comprised of $43.8 million (133%) for employee

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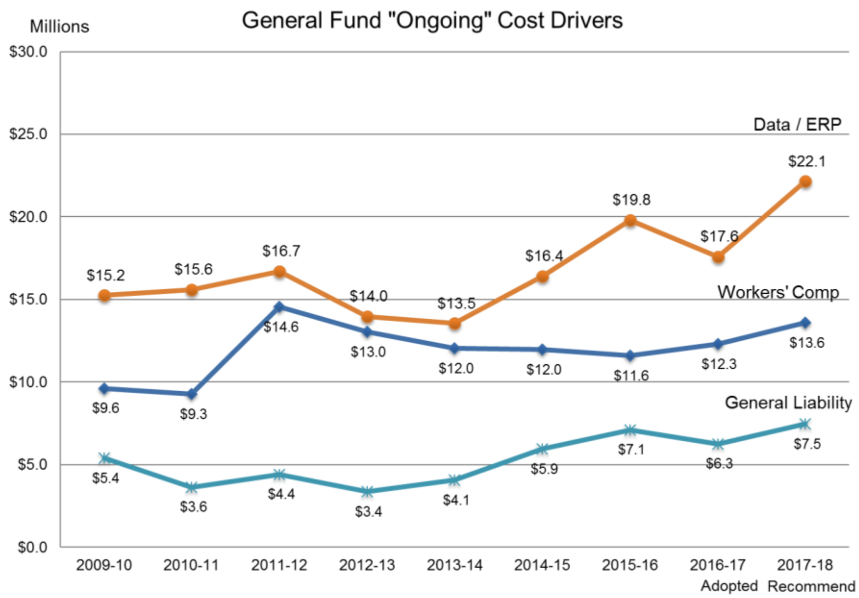
for rate increases for Miscellaneous and Safety Plans Normal Contribution and Unfunded Accrued Liability payments. Range minimums and maximums were calculated to provide preliminary estimates of potential impacts to the County.

health benefits, $47.2 million (116%) in increased pension contributions, and $48.5 million (22%) in increased salary expenditures. For comparison, discretionary revenues grow much slower over the same time-period, increasing $61.6 million or 37%. This means departments that rely on discretionary revenue are having difficulty keeping up with rising payroll costs.



Other cost pressures add $10.3 million to the recommended budget. The County continues investing in its information technology infrastructure. The Auditor-Controller is finalizing the upgrade of the County's ERP system. Charges to general fund departments for the ERP upgrade were deferred in FY 2016-17. Charges resume in FY 2017-18, and together with deferred charges from the prior year total $7.8 million in the general fund. Further impacting departmental budgets are significant increases in charges from internal service departments for general liability insurance and workers' compensation, which increase $1.2 million and $1.3 million fiscal year, respectively.

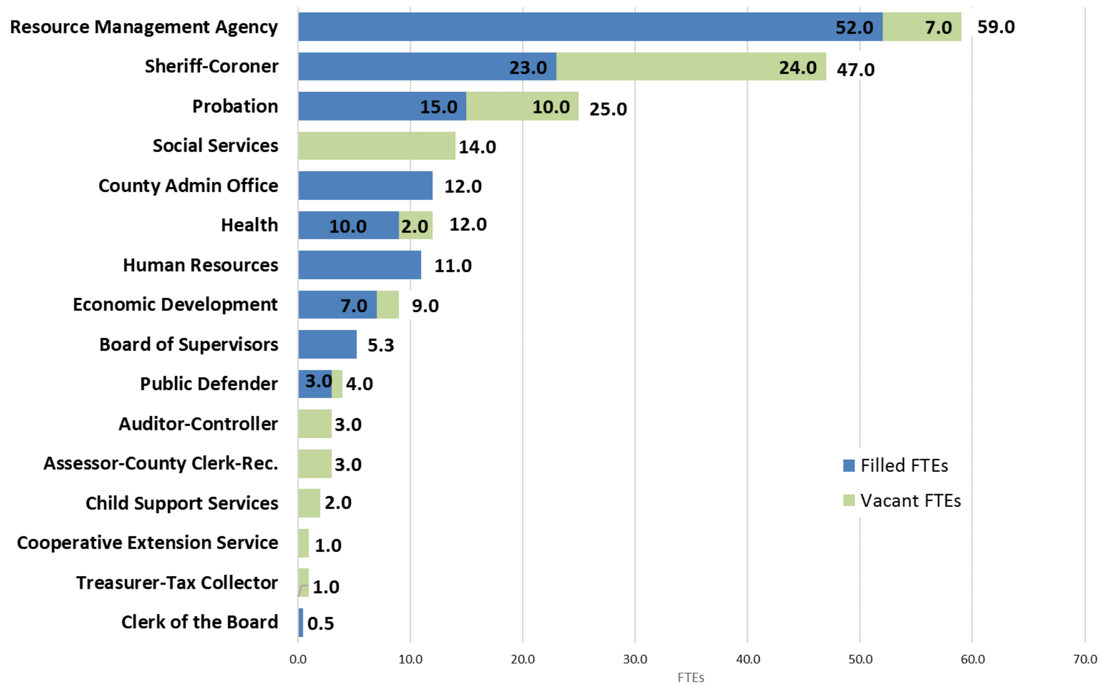
Unforeseen Cost Pressures

In addition to the ongoing cost pressures discussed, the County has faced many extraordinary costs that were discussed in detail in the *FY 2017-18 Forecast.* The recommended budget includes funding in FY 2017-18 for estimated costs to address many of these unexpected incidents. Repair work to address fire and storm damage has commenced in the current year and the recommended budget includes $7.3 million in funding for next fiscal year to help cover these repairs. The recommended budget also includes next year's estimated construction costs for the new Juvenile Hall and the East and West Wing renovation, including bid overruns for these two projects. Other obligations included in the recommended budget include: the Monterey Bay Community Power agreement, the Salinas Valley Basin Groundwater Sustainability Agency, improvements to the Government Center, and legal costs to defend Measure Z.

Baseline Budget Requests

Departments submit initial "baseline budgets" that balance to their existing general fund contributions. The baseline budget communicates what departments can afford with their existing funding, and what impacts they expect if additional funding is not provided. Most departments cannot afford their current operations / staffing next fiscal year without augmentations in County contributions due to inflationary pressures discussed earlier.

In prior budget cycles, departments have cut areas of discretionary spending to keep up with rising costs for salaries, employee benefits, technology infrastructure, and other fiscal pressures. Many departments have exhausted budgetary flexibility. Consequently, increases in cost next fiscal year translate into funding gaps for supporting existing staffing. In total, departments identified gaps that resulted in the equivalent of 139 filled positions valued at $18.2 million and 70 vacancies valued at $7.7 million.



Departments impacted the most include the RMA, Sheriff's Office, and Probation. Funding gaps in these departments put 131.0 positions at-risk unless augmentations of County contributions are provided. The same pattern can be seen among the other departments, however, on a smaller scale.

The Resource Management Agency requested additional County contributions to support 59 positions that they could no longer afford as a result of expiration of one-time financing sources (e.g., redirection of the Blanco Road financing in the current year for support of road program staffing), increased cost plan charges, higher salary and benefit costs, and increased costs for the ERP upgrade and general liability insurance program. The agency also assumed management of the Parks Department in the current year, and thus is absorbing the additional cost pressures associated with 30 additional parks positions transferred to the agency.

The Sheriff's Office requested additional contributions to support 47 at-risk positions for which they lacked funding as a result of cost pressures including an estimated $2.4 million to support recently negotiated bargaining agreements, $1.2 million for the ERP upgrade, a $1.7 million combined increase for the general liability and workers' compensation programs, a $0.7 million increase in the inmate medical care program, and a $0.6 million cost increase in pension contributions.

The Probation Department requested additional contributions to support 25 at-risk positions due to cost pressures, including a $1.2 million impact associated with the new bargaining agreements, $0.8 million for the ERP upgrade, $0.3 million for increased pension contributions, and $0.3 million for employee health insurance.

Many other departments faced staffing-related funding gaps. For example, Social Services deleted 14 vacant positions due to lower caseloads in the CalWORKs cash aid program. Other departments with staffing-related budget impacts included: the County Administrative Office (12 at-risk filled positions), Health (12 at-risk positions including 10 filled and 2 vacancies), and Human Resources (11 at-risk positions). Other departments with initial position reductions are shown in the chart above.

How the Budget was Balanced and Baseline Budget Impacts Minimized

During the April 11, 2017 budget workshop with the Board of Supervisors, the County Administrative Office provided perspective on the fiscal context in which the budget is being built and offered information on requested augmentations. The table below outlines the budget requests and the recommended budget:

	2016-17 Adopted	2017-18 Requested Budget Baseline	Augm.*	Total Req.	2017-18 Recommend Budget
Available Financing:					
Use of Fund Balance	$12.6	$26.3	$0.0	$26.3	**$42.9**
Revenues	621.1	632.4	7.6	640.0	**636.3**
Total Financing Sources	**$633.7**	**$658.7**	**$7.6**	**$666.3**	**$679.1**
Financing Uses:					
Assignments to Fund Balance	0.0	0.0	0.0	0.0	**0.0**
Expenditures	633.7	651.3	74.5	725.8	**679.1**
Total Financing Uses	**$633.7**	**$651.3**	**$74.5**	**$725.8**	**$679.1**
Balance	**$0.0**	**$7.4**	**-$66.9**	**-$59.5**	**$0.0**

*Numbers may not add up due to rounding.

*Augmentation totals changed throughout the budget process as CAO staff and departments worked together to incorporate savings that offset the initial augmentation requests.

Departments submitted baseline budgets totaling $651.3 million, representing a growth of $17.6 million over the current year adopted budget. This growth represents planned capital projects and formulaic commitments. Baseline expenditures are supported by revenue of $632.4 million and $26.3 million in fund balance for one-time expenditures identified in the baseline budget, such as the release of restricted fund balance for the new Juvenile Hall construction, release of fund balance to cover fire and storm damage repair, and releases of designated reserves to cover capital projects and other appropriate one-time expenditures. The residual $7.4 million in the baseline budget represents the growth in non-program revenue available to fund augmentation requests, net of formulaic increases for existing non-discretionary funding commitments. The following table details the use of fund balance for baseline expenditures:

Use of Fund Balance	2017-18 Baseline
Restricted Fund Balance - Juvenile Hall	15,087,306
Restricted Fund Balance - Programs	747,900
Disaster Assistance Assignment	7,300,000
Capital Assignment - East /West Wing	2,300,000
Capital Assignment - Gov't Ctr. remodel	861,441
Total Use of Fund Balance	**26,296,647**

The County Administrative Office received augmentation requests for additional County contributions above baseline levels totaling $74.5 million, supported by an estimated $7.6 million in program revenue and requested increases in County contributions totaling $66.9 million. These augmentations combined with requested baseline budgets totaled $725.8 million, exceeding available financing by $59.5 million.

By law, the County must adopt a balanced budget that aligns expenditures to available financing. To balance the budget, the County Administrative Office proposes a spending plan consisting of $679.1 million in financing uses, financed by $636.3 million in revenue and $42.9 million in use of fund balance to support capital projects and other planned one-time needs.

Discretionary financing available to fund augmentations of general fund contributions for next fiscal year total $23.9 million including $7.4 million of non-program revenue growth (net of formulaic increases), and $16.5 million in fund balance, to support appropriate one-time expenditures in the recommended budget that would otherwise be drawn from operating budgets. The major financing sources for augmentations include:

- Non-program revenue growth of $7.4 million, which includes the $10.7 million in estimated growth next year, partially offset by formulaic commitments to the Road Fund, maintenance of effort contributions to the trial courts, and other non-discretionary adjustments;
- Use of FY 2015-16 year-end unassigned fund balance of $6.0 million, as reflected in the audited financial statements, for support of one-time needs, including funding to partially cover the FY 2016-17 deferred ERP charges to general fund departments, to replace end-of-life technology, and for support of one-time needs such as the Salinas Valley Basin Groundwater Sustainability Agency and the Monterey Bay Community Power agreement;
- Release of the contingencies fund balance assignment to cover the $6.4 million contingencies appropriation; and
- Use of $2.0 million from the capital assignment that was designated for ERP, to cover the remainder of deferred charges.

Augmentation requests include requests from general fund departments as well as requests from other funds for contributions from the general fund. Departments requested augmentations to retain 139 filled at-risk positions and 50 of the 70 vacant at-risk positions, as well as requests to add 126.5 new positions and fund various operational and infrastructure needs.

The following chart reflects the department-requested augmentations and the CAO recommended augmentations:

Department	Department Requested:		CAO Recommended					
	FTEs	GFC	Ongoing GFC	One-Time GFC	Restore Filled	Restore Vacancy	New Positions	Total Positions
Agricultural Commissioner	-	$ 466,383	$ 466,383	$ -	-	-	-	**-**
Assessor/Clerk/Recorder	3.0	282,603	-	-	-	-	-	**-**
Auditor-Controller	7.0	911,886	-	-	-	-	-	**-**
Board of Supervisors	5.3	529,975	529,975	-	5.3	-	-	**5.3**
Clerk of the Board	0.5	56,736	56,736	-	0.5	-	-	**0.5**
County Administrative Office	19.0	3,567,360	1,453,194	792,730	8.0	-	1.0	**9.0**
County Counsel	2.0	244,888	-	-			-	**-**
District Attorney	10.0	966,046	-	-	-	-	2.0	**2.0**
Economic Development	8.0	1,386,359	-	-	-	-	-	**-**
Elections	-	1,135,586	-	1,080,000	-	-	-	**-**
Health	45.0	3,814,282	1,014,843	200,000	10.0	-	22.0	**32.0**
Human Resources	15.0	1,806,512	1,607,849	-	11.0	-	2.0	**13.0**
Information Technology	9.0	7,685,701	-	4,490,000	-	-	-	**-**
Library	5.0	719,383	-	-	-	-	-	**-**
Probation[1]	26.0	3,193,563	1,776,660	-	14.0	7.0	1.0	**22.0**
Public Defender	9.5	2,504,448	881,976	-	3.0	1.0	2.0	**6.0**
Resource Management Agency	62.0	35,524,767	3,323,484	728,000	48.0	-	2.0	**50.0**
Sheriff-Coroner	66.0	10,354,080	4,852,749	-	23.0	15.0	-	**38.0**
Social Services	23.0	2,087,725	595,500	-	-	-	-	**-**
Treasurer-Tax Collector	1.0	98,115	98,115	-	-	1.0	-	**1.0**
Totals	**316.3**	**$ 77,336,398**	**$ 16,657,464**	**$ 7,290,730**	**122.8**	**24.0**	**32.0**	**178.8**

[1]Augmentation requests partially funded by baseline budget adjustment of 108,527 and additional revenues of $64,185; net GFC $1,603,318. Augmentation totals changed throughout the budget process.

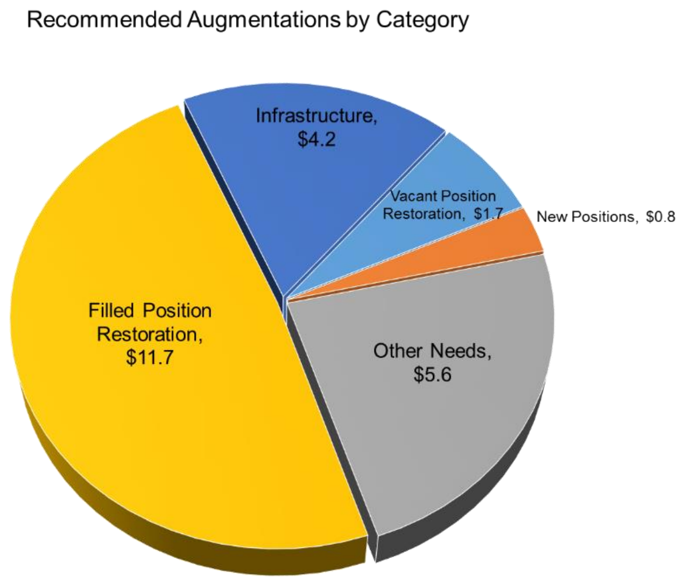
In reviewing requests for augmentation, staff utilized four criteria to prioritize recommendations. These criteria included:

- Protecting County employees to preserve current service levels;
- Supporting requests that leverage non-County funding streams that expand County services with sustainable financing sources;
- Modernizing the County's infrastructure to ensure continuity of operations; and
- Meeting existing contractual obligations and new commitments.

Recommended augmentations are described below according to these criteria.

Protecting County employees to preserve current service levels. The recommended budget provides general fund augmentations of $13.4 million to help departments close their staffing-related funding gaps to protect 123 at-risk filled positions and 24 of the most-critical vacancies. Specific recommendations include:

- $4.9 million for the Sheriff's Office to protect 23 at-risk filled safety positions and 15 vacant positions (sworn officer and custody control specialists) to support the Office's recent success in recruiting more officers.



- $1.9 million in additional County contributions, combined with other funding solutions for the Resource Management Agency to protect 48 at-risk filled positions.

- $1.8 million to preserve 14 filled Probation Department positions, and maintain seven vacant (unfunded) safety positions in the Juvenile Hall.

- $2.5 million to support 19 filled administrative positions, including eight at-risk filled positions in County Administration and 11 at-risk filled positions in Human Resources to preserve the County's capacity for assisting departments with their recruitment and personnel management needs.

- $1.0 million for Health to protect ten at-risk filled positions in their general fund operations.

- $1.3 million to protect 11 positions in four departments, including restoring three filled positions and one vacant position in the Public Defender's Office, six filled positions within the offices of the Board of Supervisors and Clerk to the Board, and preserve one vacant position in the Treasurer-Tax Collector critical to the cannabis ordinance program.

New positions that can leverage new (non-county) funding streams. The recommended budget adds 29 new positions that are fully funded by program revenues, including:

- Twenty-two new positions in the Health Department funded entirely by non-county funding sources and primarily support the expansion of health clinics and the new *Whole Person Care* program.

- A new attorney in the Public Defender's Office to help meet growth in misdemeanor cases under state-county realignment and funded entirely by realignment monies.

- Two new positions for the District Attorney supported with realignment monies and other program revenues, including a new attorney to support growth in misdemeanor cases and a new victim witness coordinator.

- Two new positions to launch the cannabis ordinance program including a code enforcement officer in RMA and a new program manager in the CAO to coordinate the program.

- A new program manager in the Probation Department, fully funded with realignment monies, and a courier in RMA to provide mail service at the Schilling Place complex.

Modernizing County infrastructure to ensure continuity of operations. Recommended $4.2 million in augmentations to replace core technology, especially hardware at risk of failure, to support staff in providing services and prevent work disruptions; including:

- $2.0 million to replace data center power and cooling systems, upgrade equipment and software, and enable video conferencing to allow virtual face-to-face meetings and reduce the need for travel between County buildings for meetings.
- $1.2 million to replace antiquated servers that have exceeded their useful life and are no longer supported by the vendor for parts and service.
- $1.0 million to replace the core microwave network supporting public safety, first responders, and the 911 center.

Meeting existing obligations and new commitments. The recommended budget provides $5.6 million in augmentations to fund existing obligations and new commitments, and adds $511,384 in County contributions to add three new critical positions. These augmentations include:

- $1.3 million to the RMA to fund operations and maintenance and cover estimated utility costs to operate the Schilling Place building as County staff from the RMA, Health, and Elections take occupancy.
- $728,000 to the RMA to fund costs associated with the Salinas Valley Water Basin Study, funding for the Carmel Lagoon Project, costs to update the Local Coastal Program, which requires an update every 20 years, and for General Plan implementation services.
- $595,500 to Social Services to support programs that serve homeless populations, including year-round operation of day-time services at Dorothy's Place, funding for the Coalition of Homeless Services providers to manage the Coordinated Assessment and Referral System (leverages Whole Person Care monies), and support of the winter warming shelter in Salinas and the Safe Place Shelter on the peninsula.
- $1.1 million to the CAO to cover existing funding commitments for federal and State legislative advocacy, and to cover new funding commitments for the County's share of cost for forming the Salinas Valley Ground Water Sustainability Agency, participating in the Monterey Bay Community Power regional project to provide clean-source power, and to participate in the Monterey Peninsula Regional Water Authority.
- $1.1 million is recommended to cover anticipated increased costs for the Elections Department, as there are three elections next fiscal year versus one election included in the current year budget.
- $466,383 in additional contributions to the Agricultural Commissioner to support the office in meeting its maintenance of effort requirement and continue leveraging state gas tax monies.
- $275,000 to remodel antiquated restrooms in the building that the Information Technology Department occupies.
- $200,000 to continue the existing uninsured pilot program, utilizing estimated unspent current year funds for this program.
- $275,572 to fund two new positions in Human Resources to support efforts to improve services to operating departments.
- $235,812 to fund a new immigration attorney in the Public Defender's Office to address the need for immigration legal expertise in the community.

Unfunded Requests

The County Administrative Office worked diligently and collaboratively with departments to find solutions to cover rising costs and the associated staffing and operational impacts. However, due to the limited growth in discretionary funding available and substantial requests for additional general funds, there are requests that remain unfunded in the recommended budget. These remaining unfunded requests are described below:

Staffing impacts. During the budget process, departments identified 139 at-risk filled positions requiring new funding as a result of cost increases. The recommended budget includes funding to protect 123 of these positions, leaving 16 positions for which funding expires on June 30, 2017. These positions include:

- Loss of five positions in the RMA due to higher cost plan charges, decline in reimbursements, and the recent bargaining agreements. Positions scheduled to expire include a Building Official, Building Inspector Supervisor, two park rangers, and a parks ranger manager. The RMA recently added a Chief of Building position to replace the Building Official position based on recommendations of a recent organizational study. With regard to the Building Inspector Supervisor, there will still be a managerial and senior level staff to ensure continuity of operations. The reduction in park ranger staffing still leaves the RMA with minimal staffing to ensure coverage of one ranger per major park.
- Loss of seven filled positions in the Office for Employment Training (OET) due to federal grant funding reductions. County policy discourages use of County monies to compensate for federal of State decisions to cut a program.
- Loss of four positions in the County Administrative Office due to higher cost plan charges and increased staffing costs resulting from the recently negotiated bargaining agreements. These positions include: an Assistant County Administrative Officer, an Associate Administrative Analyst in the Budget and Analysis Division, a Management Analyst III in the Intergovernmental and Legislative Affair Division, and an Administrative Secretary.

Reduction in budgeted vacancies. In their baseline budgets, departments identified 70 vacancies that would not be continued past June 30, 2017 unless new funding could be provided. Not all reductions in vacancies result in service level impacts. Some departments have experienced a lower need in some programs, thus not all vacancies were requested to be restored. As discussed earlier, the recommended budget "restores" 24 vacant positions, primarily in public safety programs. The remaining 46 vacant positions scheduled to expire at the end of the current year include:

- Loss of 14 vacancies in Social Services due to reductions in CalWORKS caseloads and associated funding.
- Loss of nine vacancies ("non-sworn" positions) in the Sheriff's Office including three Records Specialists, three Corrections Specialists, a Property Technician, a Civil Clerk, and a Vehicle Abatement officer.
- Loss of five vacancies within the RMA, including a Finance Manager, Parks Director, Secretary, Management Analyst, and Senior personnel Analyst (function moved to central Human Resources).
- Loss of four vacancies in the Probation Department including two Juvenile Institution Officers resulting from of the closure of the Evening Reporting Center program (one position is currently filled; however, the Department has identified a vacancy and the employee will be transferred into the vacant position upon expiration of funding). The other two positions are a vacant Probation Officer and an Associate Personnel Analyst, which were vacant and unfunded in the current year.

- Other reductions in budgeted vacancies include a loss of three vacancies in the Health Department, two vacancies in the Auditor-Controller as staff "roll-off" the ERP Project and associated reimbursements expire, three positions in the Assessor's Office due to an expiring grant, two positions in Child Support Services due to stagnant State funding, three positions in Economic Development due to reduced grant funding, and loss of one position in Cooperative Extension.

Deferral of the Blanco Road Overlay Project. In the current year, staff recommended deferring the Blanco Road Overlay Project to avert staffing impacts in the Road Fund. The recommended budget recommends continued deferral to avert a loss of 22 road program positions. Protecting these positions preserves the program's staffing structure so that it can leverage emerging funding streams in the near future, namely the SB I Transportation Tax and Measure X funding. The ability to leverage these funding streams to begin the Blanco Road overlay and other road projects would be revisited in the first quarter of next fiscal year.

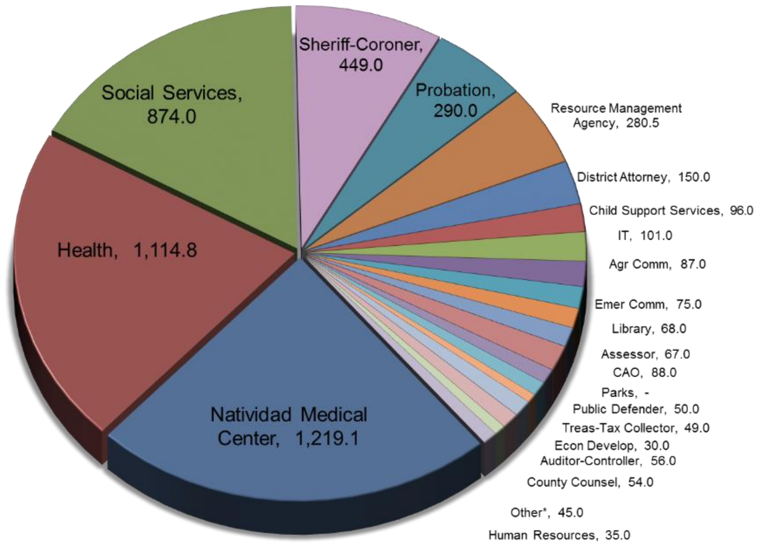
Additional fire and storm related repairs. In addition to current year repairs that are underway to address fire and storm related repairs, the RMA requested $19.2 million in additional funding for next fiscal year. On March 14th, the Board authorized a $16.8 million transfer from the Strategic Reserve to the Disaster Assistance fund balance assignment to address these critical repairs in the current year and provide working capital to the RMA to "bridge" the gap between time of repair and receipt of potential reimbursements from federal and State agencies. The recommended budget includes the estimated residual of $7.3 million from the original $16.8 million authorization. The $19.2 million in additional requested funds covers additional storm damage that occurred after February 16, 2017 and potential additional cash flow assistance pending federal and State reimbursements. The RMA's request for additional funds will be deferred until the first quarter of next fiscal year to consider progress made in repairs and reimbursements.

Most new position requests remain unfunded. Of the 126.5 new positions requested, only 32.0 of the mission critical positions were authorized. The recommended positions heavily leverage non-County funding streams. Unfunded requests include positions in the Sheriff's Office to staff up their Records Division, requests in the Sheriff's Office and Health Department to support cannabis ordinance enforcement, and in Social Services to add social workers to keep up with increased workloads in the benefits programs.

Other unfunded requests. Some other significant unfunded requests include a $1.6 million request for the expansion of the uninsured pilot project to provide lab, x-rays, and prescription services to the remaining uninsured; a $2.0 million request to establish an emergency infrastructure repair fund to address critical repairs in a timely fashion in the event of fires or storms; $2.0 million in various requests from the RMA to fully fund capital projects and maintenance work to address flood prone areas; a $1.7 million request to retrofit radio towers to meet current seismic standards; a $500,000 request to implement an affordable housing program in Monterey county; and requests by the County Library totaling $425,000 to buy books and to relocate the Bradley Library. Other unfunded needs are described in detail in the departmental budget narratives.

County Employees

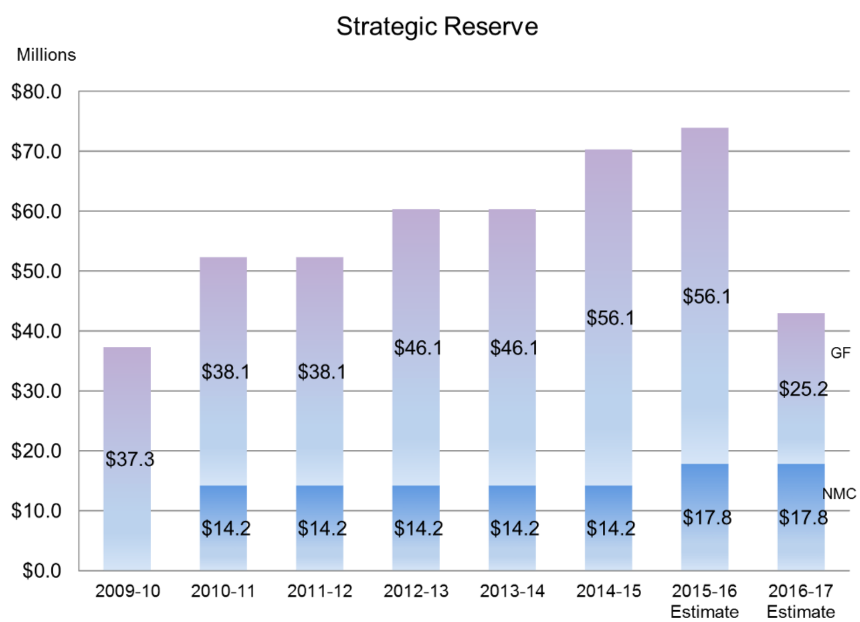
The recommended budget includes 5,278.4 positions, increasing by 64.7 positions since adoption of the FY 2016-17 budget. Natividad Medical Center has the largest staffing at 1,219 positions, which increases by 67.4 since the adoption of the current budget. Position growth for NMC is primarily in nursing and areas that are affected by the increased volume of patients, such as radiology and lab services. The Health Department increased its positions by 36.8, due to continued expansion in the behavioral health program and in primary care clinics. The position growth at NMC and the Health Department are partially offset by position reductions in other departments as described in the prior section.



* Includes the Board of Supervisors (20), Elections (12), Equal Opportunity (5), Clerk of the Board (5), and Cooperative Extension (3).

Strategic Reserve

Maintaining responsible reserve levels is a key component of a sound financial management strategy. A major component of this strategy is the County's existing Strategic Reserve policy which provides for a strategic reserve equal to 10% of general fund revenue. The main purpose of the strategic reserve is to build the County's capacity for funding settlement of legal judgments that exceed reserves normally designated for litigation, offset short-term revenue reductions due to economic down-turns, and address natural disasters as determined by the County Administrative Officer or the Board. Since the recession, the County has prudently invested year-end operating surpluses to build up the strategic reserve, which grew from $37.3 million in FY 2009-10 to $73.9 million at fiscal year end June 30, 2016. Included in this amount was $56.1 million for the general fund and $17.8 million for NMC.



In the current year, the Board authorized transfers from the strategic reserves to appropriately fund events for which the reserve was established. On March 14, 2017, the Board approved transfers totaling $30.9

million from the strategic reserve including $16.8 million to address critical repairs resulting from the *Soberanes Fire* and winter storms, $9.5 million to cover capital improvements and legal costs to comply with the *Hernandez v. County of Monterey* settlement, and $3.9 million to cover costs for legal defense of Measure Z. As a result of these transfers, the strategic reserve for the general fund decreased from $56.1 million to $25.2 million, below the existing policy of 10%.

Next Steps

Cost increases have exerted budgetary pressure on departmental operations. On top of wage increases, rising employee health premiums, and costs for the County's workers' compensation and general liability programs, we begin to see unprecedented increases in required pension contributions beginning FY 2018-19. These costs are accelerating as the current economic expansion is maturing, increasing the probability of a recession in coming years. The County must therefore balance consideration for funding new proposals against the potential impacts to existing County programs and staffing, bearing in mind that new commitments compete against the same resources as existing obligations and costs for staffing existing programs and services.

Staff will present the recommended budget during budget hearings, scheduled to begin June 5, 2017. At that time, staff will report as to any new developments with regard to the at-risk filled positions. Monterey County has over 5,000 employees, and expiring positions in this recommended budget may not necessarily result in layoffs as vacancies arise within departments. The County also has the Support for Employment and Educational Knowledge (SEEK) program, which assists County employees in finding placement opportunities.

With new funding sources emerging, such as the commercial cannabis tax, and transportation funding provided by Senate Bill No. 1 and Measure X, staff is proposing re-consideration of some unfunded requests during the first quarter of FY 2017-18. By that time, staff will be in a position to provide revenue estimates associated with the cannabis ordinance and transportation revenue streams. At that time, and to the extent additional revenue is identified, requests related to new positions for cannabis ordinance enforcement, fire and storm repairs, the Blanco Road overlay project, and other needs can be considered by the Board.

Other Funds

Natividad Medical Center

Natividad Medical Center 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. The NMC FY 2017-18 Recommended Budget uses the following revenue and operating expenses assumptions:

Natividad Medical Center*	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
Beginning Net Position	$ 39,156,272	$ 52,010,199	$ 52,010,199	$ 62,510,563
Revenue	286,241,021	262,167,926	288,543,370	315,656,639
Expenditures	273,387,094	251,667,562	271,928,023	299,043,554
Ending Net Position	52,010,199	62,510,563	68,625,546	79,123,648
Change in Net Position	12,853,927	10,500,364	16,615,347	16,613,085

*Recommended budget for NMC includes Funds 451 (operations) and 404 (capital projects).

The Recommended Budget totals $299.0 million in expenditures, financed by $315.7 million in estimated revenue. The hospital is anticipating a $16.6 million improvement to fund balance next fiscal year. The recommended budget for NMC recommends appropriations of $282.9 million in the enterprise fund to account for operations as well as appropriations of $16.1 million in the Facilities Master Plan fund to reimburse NMC for capital projects expenditures. The recommended budget increases expenditures by $47.4 million and revenues increase by $53.5 million.

The increase in expenditures is driven by a $14.6 million increase in salary and benefits related to pay raises, employee benefits, new positions to accommodate for volume increases, as well as an expanding Family Practice Residency Program, increasing quality assurance resources, and other support positions. Additionally, $38.7 million is attributed to transfers between the NMC enterprise fund and a capital projects fund to allocate funds for capital projects.

Of the $53.5 million increase in revenue, $21.7 million reflects technical transfers between funds to reimburse NMC for capital projects. The remaining increase is largely attributed to an increase in net patient revenues primarily attributed to the Medicaid expansion through Covered California, new enrollees in Medi-Cal Managed Care, and revenue from trauma services. Additionally, governmental revenue is expected to increase primarily attributed to the Affordable Care Act.

Road Fund

Road Fund	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
A. Beginning Fund Balance	$ 4,589,599	$ 1,215,276	$ 1,215,276	$ (509,515)
B. Revenue	20,932,875	38,898,911	31,187,671	43,071,208
C. Use of Fund Balance	-	-	-	-
D. Total Financing, A+B+C	25,522,474	40,114,187	32,402,947	42,561,693
E. Expenditures	24,335,780	38,640,720	32,912,462	42,539,672
F. Assignments to Fund Balance		-		-
G. Total Financing Uses, E+F	24,335,780	38,640,720	32,912,462	42,539,672
H. Ending Fund Balance, D-G	$ 1,186,694	$ 1,473,467	$ (509,515)	$ 22,021

The Road Fund is a special revenue fund established pursuant to State Law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects. The fund balance in the Road Fund has steadily eroded in recent years as the revenue from the County's Highway Users Tax (HUTA) continues to decrease and overhead expenses increase. The Resource Management Agency's (RMA) response to the 2017 winter storms further complicated the financial condition of the Road Fund. The unassigned fund balance for the Road Fund is anticipated to be completely depleted by the end of FY 2016-17 and end in a hypothetical negative fund balance of $509,515, without preventive measures.

Increased expenditures to the Road Fund are largely attributable to the Soberanes Fire and winter storm events. On March 14, 2017, the Board of Supervisors approved the use of the Strategic Reserve in the amount of $16.8 million, of which $8.5 million will be utilized for the County's share of repair costs and an additional $8.3 million to "cash flow" the current year costs until federal and State reimbursements are received.

Next fiscal year, the Road Fund anticipates it will begin restoring its fund balance due to additional funding streams that are emerging. The Road Fund is primarily funded by State and local fuel taxes as well as federal and State grants. The Road Fund also receives a portion of the County's anticipated TOT revenue. For FY 2017-18 the Road Fund share of TOT revenue is $5.5 million (24% of total TOT revenue), of which $2.0 million supports the Pavement Management Program and $3.5 million would be used to sustain field maintenance operations. The increased revenues for FY 2017-18 include projected increases in road project revenue as well as an estimated $1.0 million in additional revenue related to the passing of the Transportation Agency for Monterey County (TAMC) 3/8 cent transportation sales tax (Measure X). Measure X, along with the newly passed SB1 transportation funding, is anticipated to provide an ongoing funding source for transportation projects and road maintenance. The RMA will be diligent in allocating available funds to the most important and severe road and maintenance projects throughout the County.

County Library Fund

The Monterey County Free Libraries (MCFL) is a special taxing authority under the County Library Law of 1911, established to provide a network of libraries that serve the diverse communities of Monterey County. As such, the fund's operations are primarily financed through its own share of property tax.

Monterey County Free Library	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
A. Beginning Fund Balance	$ 1,077,528	$ 372,827	$ 372,827	$ 409,169
B. Revenue	8,474,577	9,954,562	10,516,827	10,667,128
C. Use of Fund Balance	-	-	-	-
D. Total Financing, A+B+C	9,552,105	10,327,389	10,889,654	11,076,297
E. Expenditures	9,179,278	10,119,266	10,480,485	9,934,913
F. Assignments to Fund Balance	-	-	-	-
G. Total Financing Uses, E+F	9,179,278	10,119,266	10,480,485	9,934,913
H. Ending Fund Balance, D-G	$ 372,827	$ 208,123	$ 409,169	$ 1,141,384

Demand for library services in Monterey County remain high because of the lack of alternate resources in many of the communities MCFL serves. MCFL's role has evolved into that of a Community Hub, being the "go to" place for more than just information, books and literacy.

The majority of MCFL's budget goes toward staff salaries, and for maintaining its multiple locations, some of which are County owned and some of which are leased. A small portion of the budget is used for the purchase of library materials including book collections.

Recommended appropriations for FY 2017-18 decrease by $184,353 over the 2016-17 Adopted Budget. The decrease is due to a lower cost plan charge anticipated in the next fiscal year. Revenue included in the recommended budget increases $712,566 over the FY 2016-17 Adopted Budget, and is primarily due to increases in property tax revenue allocated to MCFL, as well as continuing projected refunds from the Redevelopment Property Tax Trust Fund and refunds from the Federal E-rate program for telecommunication services.

The County Library Strategic Plan recommends seeking alternative and diversified sources of funding to fill the growing gap between fiscal resources and community needs. MCFL continually seeks new ways to minimize the imbalance between revenues and increased expenditures by collaborating with various Library Friends groups and with the Foundation for Monterey County Free Libraries on fundraising events, through outreach to attempt to increase their funding contributions, and through seeking grants/donations for ongoing and new programs.

Behavioral Health Fund

The Behavioral Health Fund is a special revenue fund effective July 1, 2012.

Behavioral Health provides mental health and substance abuse services to Monterey County residents. The Mental Health Program, pursuant to Welfare and Institutions Code Section 5600, provides a continuum of County operated and community-based mental health services through various contracts. The program provides a range of inpatient, social rehabilitation, supportive housing, and outpatient services to Monterey County Medi-Cal beneficiaries who meet the State Department of Mental Health's medical necessity definition. Services provided in the Alcohol and Drug Program include residential, transitional housing, perinatal residential, outpatient, prevention, early intervention, narcotic replacement, drinking driver programs, drug court, and drug diversion per Penal Code 1000.

Behavioral Health Fund	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
A. Beginning Fund Balance	$ 27,755,420	$ 17,539,352	$ 17,539,352	$ 14,007,551
B. Revenue	81,073,728	104,927,846	90,796,025	115,811,703
C. Use of Fund Balance	-	-	-	-
D. Total Financing, A+B+C	108,829,148	122,467,198	108,335,377	129,819,254
E. Expenditures	92,131,196	116,858,100	94,327,826	115,811,703
F. Assignments to Fund Balance	-	-	-	-
G. Total Financing Uses, E+F	92,131,196	116,858,100	94,327,826	115,811,703
H. Ending Fund Balance, D-G	$ 16,697,952	$ 5,609,098	$ 14,007,551	$ 14,007,551

The recommended budget for the Behavioral Health Fund shows a $1.0 million reduction in appropriations to budget more closely to actual trends. Revenues will increase $10.9 million, primarily due to the implementation of the Whole Person Care program. In addition to this new program, the Health Department continues to provide an array of strong behavioral health services both in house and through contracts with community-based, culturally competent contract providers. Although the Department is challenged with the development of better access to services, more prevention efforts, and even more efficient use of our resources, it will continue to balance integration and transformation of service delivery with quality behavioral health care.

Local Revenue Fund 2011

In June 2011, the State Legislature passed AB 118 (Chapter 40, Statutes of 2011). AB 118 required counties to create a *Local Revenue Fund 2011* and various accounts within the fund, including: a Local Community Corrections Account, the Trial Court Security Account, the District Attorney and Public Defender Account, the Juvenile Justice Account, the Health and Human Services Account, and the Supplemental Law Enforcement Services Account. Funds directed to these accounts must be used exclusively to fund realigned programs as per statute.

Local Revenue Fund 2011	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
A. Beginning Fund Balance	$ 11,286,065	$ 18,309,609	$ 18,309,609	$ 19,910,187
B. Revenue	53,524,509	56,876,584	56,810,154	59,281,822
C. Use of Fund Balance	-	-	-	-
D. Total Financing, A+B+C	64,810,574	75,186,193	75,119,763	79,192,009
E. Expenditures	46,433,367	56,876,584	55,209,576	62,857,966
F. Assignments to Fund Balance	-	-	-	-
G. Total Financing Uses, E+F	46,433,367	56,876,584	55,209,576	62,857,966
H. Ending Fund Balance, D-G	$ 18,377,207	$ 18,309,609	$ 19,910,187	$ 16,334,043

For next fiscal year, the Local Revenue Fund 2011 revenue increases to $59.3 million, while expenditures (operating transfers out for the various public safety, health and social services programs) total $62.9 million, exceeding revenues by $3.6 million. This fund balance reduction of $3.6 million is primarily to cover expenditures for health programs and for court security.

Health and Welfare Realignment Fund

Health & Welfare Realignment	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
A. Beginning Fund Balance	$ 10,847,272	$ 21,357,119	$ 21,357,119	$ 26,811,671
B. Revenue	67,187,349	63,140,474	67,945,764	61,797,300
C. Use of Fund Balance	-	-	-	-
D. Total Financing, A+B+C	78,034,621	84,497,593	89,302,883	88,608,971
E. Expenditures	56,679,502	62,865,718	62,491,212	66,872,495
F. Assignments to Fund Balance	-	-	-	-
G. Total Financing Uses, E+F	56,679,502	62,865,718	62,491,212	66,872,495
H. Ending Fund Balance, D-G	$ 21,355,119	$ 21,631,875	$ 26,811,671	$ 21,736,476

In 1991, the State enacted legislation that altered the fiscal arrangement between the State and counties and dedicated portions of Vehicle License Fee (VLF) and Sales Tax revenues to County health, mental health and social services programs. The *1991 Realignment* transferred programs from State to county control, altered cost-sharing ratios, and provided counties with the VLF and Sales Tax as dedicated revenues to pay for the programs.

The Realignment impacted the Department of Social Services (DSS), who received responsibility for implementation of programs such as CalWORKs, CalFresh, Foster Care, Adoptions, Child Welfare Services, and In-Home Supportive Services (IHSS) while the Health Department received responsibility for programs in the areas of Health and Behavioral Health. The sales tax and VLF are collected and distributed monthly by the State Controller's Office and is deposited into the Health and Welfare Realignment Fund (Fund 025) and distributed to various budget units through operating transfers within Social Services and Health Departments. Growth funds above the base are distributed by a defined process and estimated annually by the State Department of Finance. The fund expects a $5.1 million reduction to fund balance in FY 2017-18, for use in health programs.

Parks Lake & Resort Operations

Parks Lake & Resort Operations	Actuals 2015-16	Adopted Budget 2016-17	Current Year Estimate 2016-17	Recommend 2017-18
A. Beginning Fund Balance	$ (5,520,898)	$ (5,321,096)	$ (5,321,096)	$ (5,410,036)
B. Revenue	5,659,350	3,663,798	4,674,420	4,599,294
C. Use of Fund Balance	-	-	-	-
D. Total Financing, A+B+C	138,452	(1,657,298)	(646,676)	(810,742)
E. Expenditures	4,687,773	3,963,798	4,763,360	4,598,757
F. Assignments to Fund Balance	-	-	-	-
G. Total Financing Uses, E+F	4,687,773	3,963,798	4,763,360	4,598,757
H. Ending Fund Balance, D-G	$ (4,549,321)	$ (5,621,096)	$ (5,410,036)	$ (5,409,499)

The Parks Resort Enterprise Fund is estimated to begin FY 2017-18 with a negative $5.4 million net position. With the Governor officially ending the drought state of emergency in most California counties and the recovery of lake levels, it is expected that the Lakes Resorts will be in full operation and experience a normal recreational season. The Recommended Budget includes expenditures of $4.6 million, and $4.6 in revenue for a breakeven budget year.

The reorganization of the Parks Department under the Resource Management Agency has created an opportunity to provide additional support for administration and management. The recommended budget includes salaries for temporary employees only. All permanent employees are now budgeted in the Parks General Fund Unit and any charges for personnel allocated to the Lakes will be reimbursed to the General Fund. Lake Nacimiento and Lake San Antonio are expected to be open for the normal recreational season in anticipation of the public utilizing the camping and boating facilities.

Budget Hearings

Budget hearings for the FY 2017-18 Recommended Budget are scheduled to begin on Monday, June 5, 2017. The budget hearing schedule will be available online at the Monterey County Clerk of the Board's website on or around Friday, May 26, 2017.

Appropriation Limits

Article XIIIB of the California State Constitution, Proposition 4, or the Gann Limitation, requires local agencies to calculate an appropriations limit, compile revenues that are subject to this limit, and make a comparison between the two. If the local agency's revenues (tax proceeds) exceed the limit, the law allows the voters to approve the increase, or the political entity must return the excess revenues to the taxpayers within two years.

The calculations for the County's general fund and library fund appropriations limit are prepared by the Auditor-Controller's Office with assistance from the County Administrative Office. All districts are within their limits.