

# County of Monterey Board of Supervisors' Budget Workshop



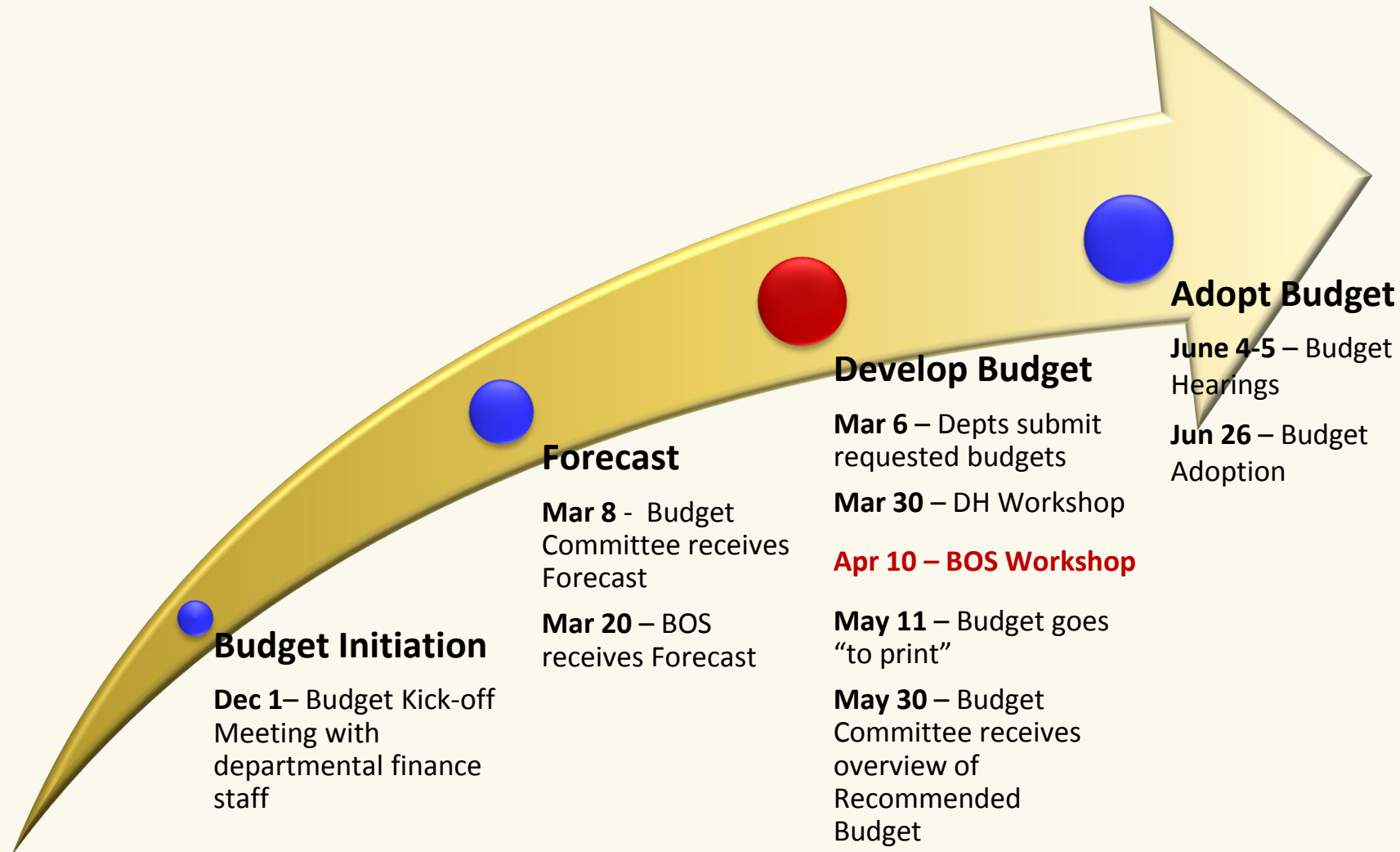
County Administrative Office

April 10, 2018

# Workshop Goals

- Provide the Board with information and perspectives on next year's budget development in advance of the budget hearings.
- Create a shared understanding of the County's financial capacity for funding operations next fiscal year.
- Hear from Department Heads potential implications to programs/services and their requests to mitigate impacts.
- Receive direction for incorporation into the recommended budget that will be considered during the annual budget hearings on June 4-5<sup>th</sup>, 2018.

# Budget Timeline



# The Budget Process in Brief

- Departments prepare “**baseline budgets**” representing initial plans of services that can be provided next year if no additional resources are provided.
- Baseline budgets communicate funding gaps for maintaining current levels of service after accounting for inflationary & other fiscal pressures.
- Departments also submit “**augmentation requests**” for increased funding to help maintain current services, or to enhance programs or infrastructure.
- CAO staff work with departments to understand operational pressures and likely impacts if additional funding is not available in order to build a well-informed & responsible spending plan.
- The annual budget workshop is an opportunity to provide the Board with a “preview” of the emerging budget and receive direction to help guide development of the recommended budget.

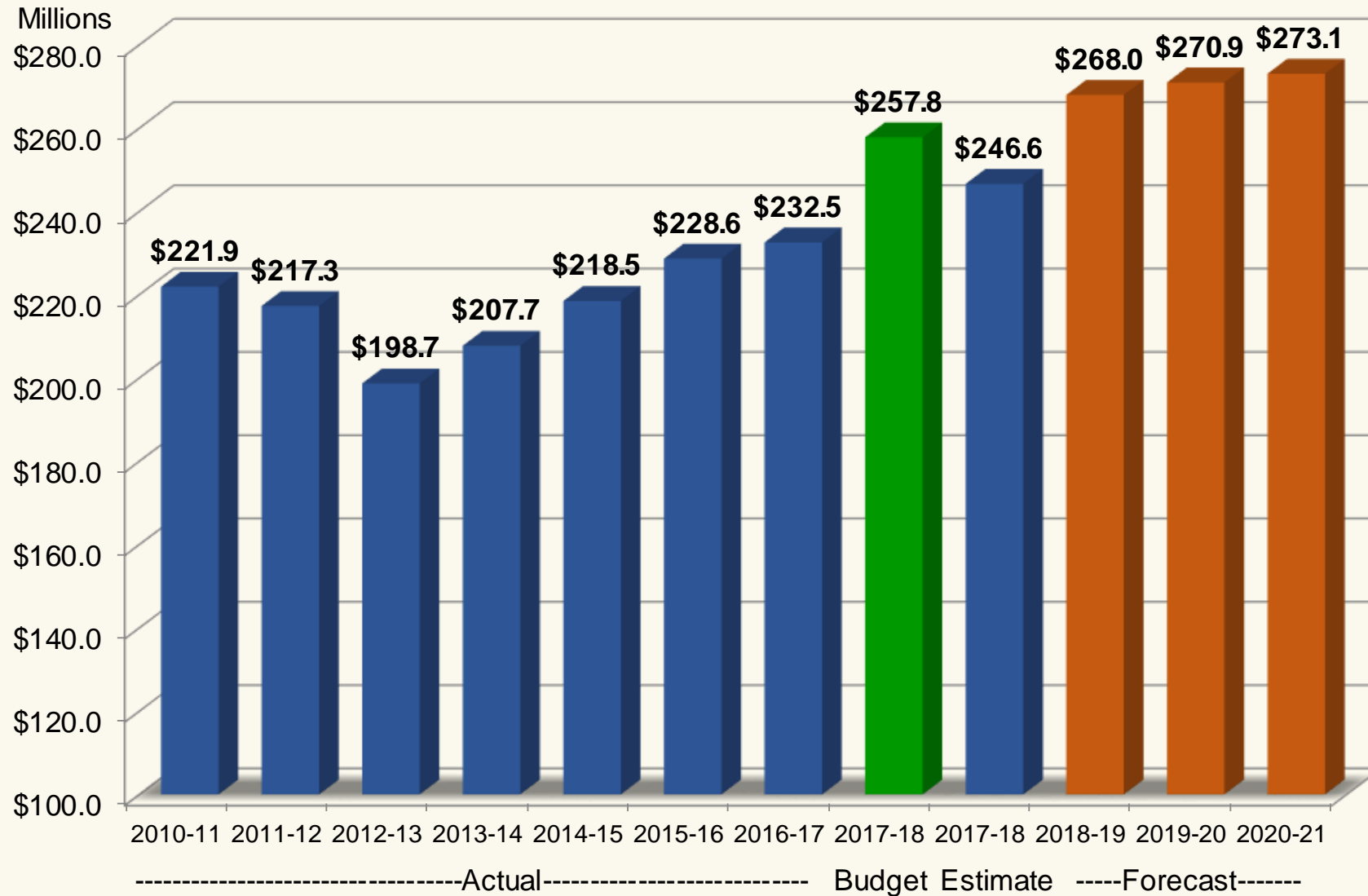
# Fiscal Environment

- An operating deficit of \$5.4 million emerged in FY 2016-17 as the County responded to disasters and litigation on top of inflationary pressures.
- This year departments expect an overall operating gap of \$0.4 million, but this does not include \$9.7 million in unfunded storm repairs & \$2.3 million in litigation.
- Next year a deficit of \$36 million emerges, excluding another \$36 million in unfunded storm repairs and staffing needing to be hired & trained for the jail expansion.

# What's Driving the Funding Gap

- Inflationary Pressures
  - Bargaining agreements
  - Higher employee benefit costs
  - Increased staffing & filling of vacancies
  - Higher workers compensation & general liability program costs
- Slow revenue growth and, for some programs, loss of revenue
- We're doing more to help meet needs in the communities we serve

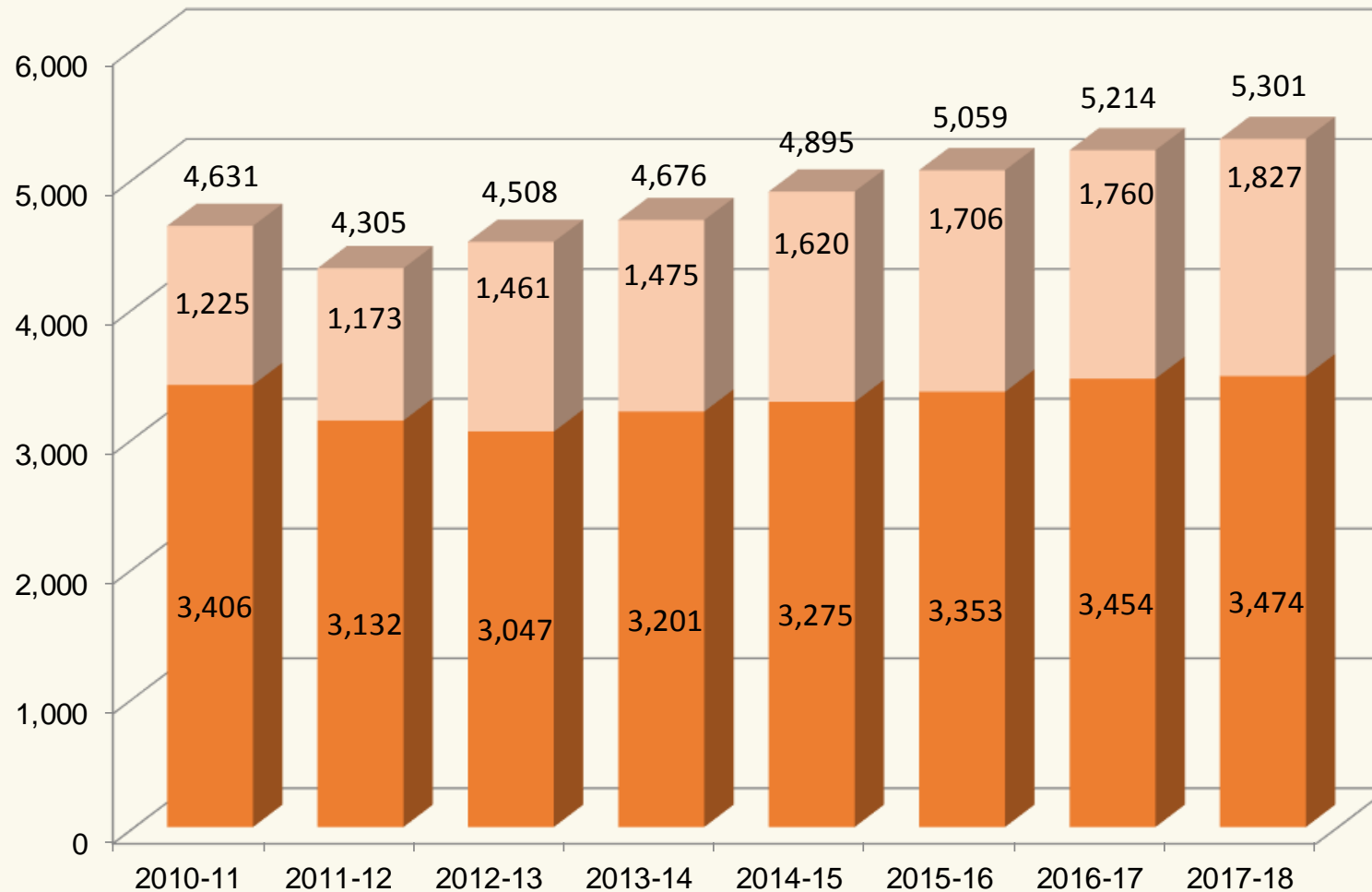
# General Fund Salaries & Benefits



- Most bargaining agreements provide raises of 7% over their 3-year term.
- The raises add an estimated \$19.3 million in general fund expenditures, including \$8.3 million next fiscal year.<sup>1</sup>
- The agreements also cover 100% of health premium increases, adding an additional \$13.1 million in annual expenditures.

<sup>1</sup>. Estimates use base year of 2015 to exclude the effect of staffing increases on salary costs. Actual salary costs will be higher (\$9.6 million GF next fiscal year) due to position growth since 2015.

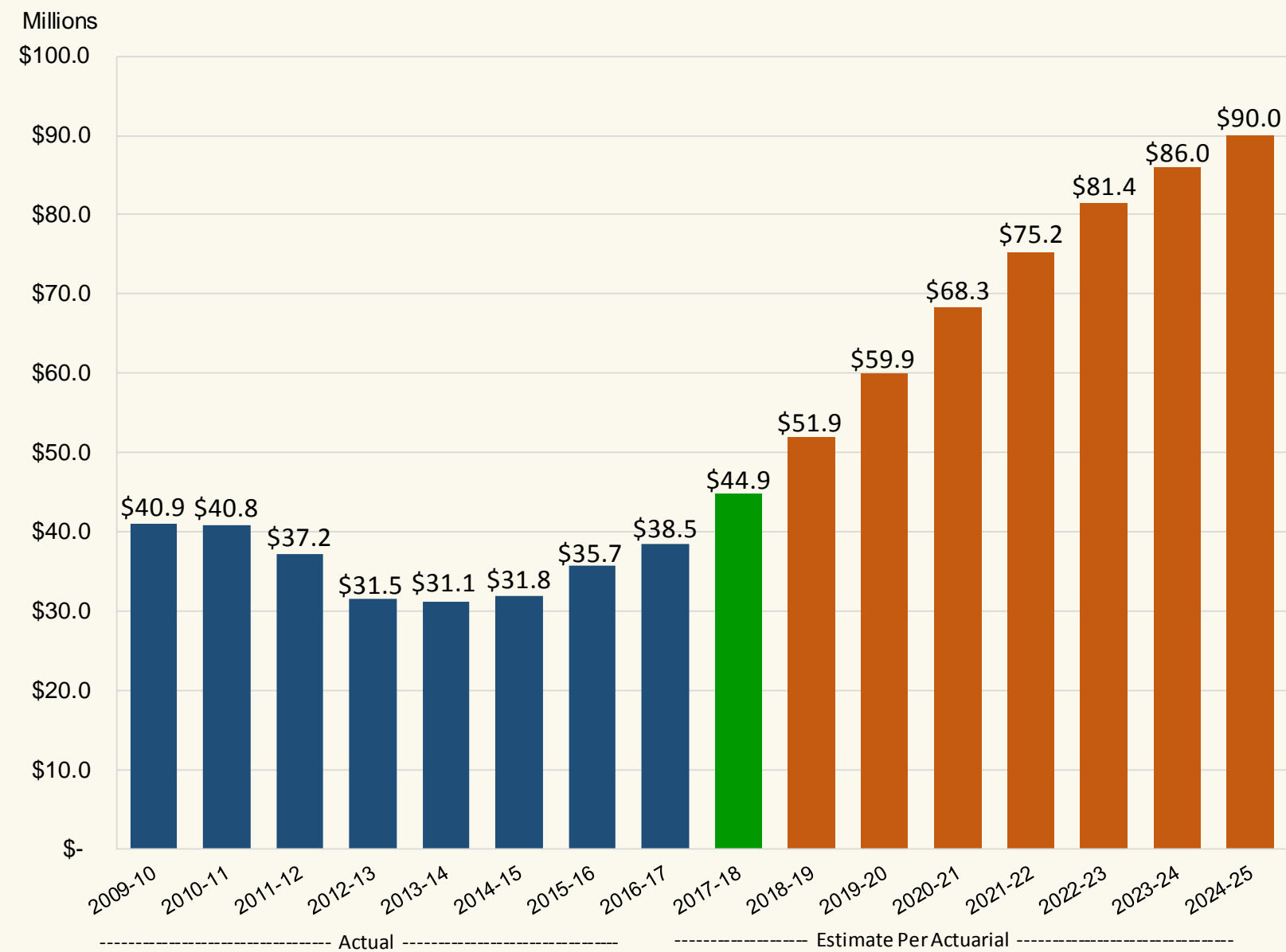
# Staffing Increases



- County added 793 positions (427 General Fund) over the past five years, adding an estimated \$85.3 million (\$43.2 million general fund) in expenditures.
- Many of the staff were added in NMC, Health and Social Services which leverage outside funding.
- Other departments with staffing increases include the Sheriff's Office (47) and District Attorney (8).
- Eight staff were added as "backfills" for the ERP Upgrade

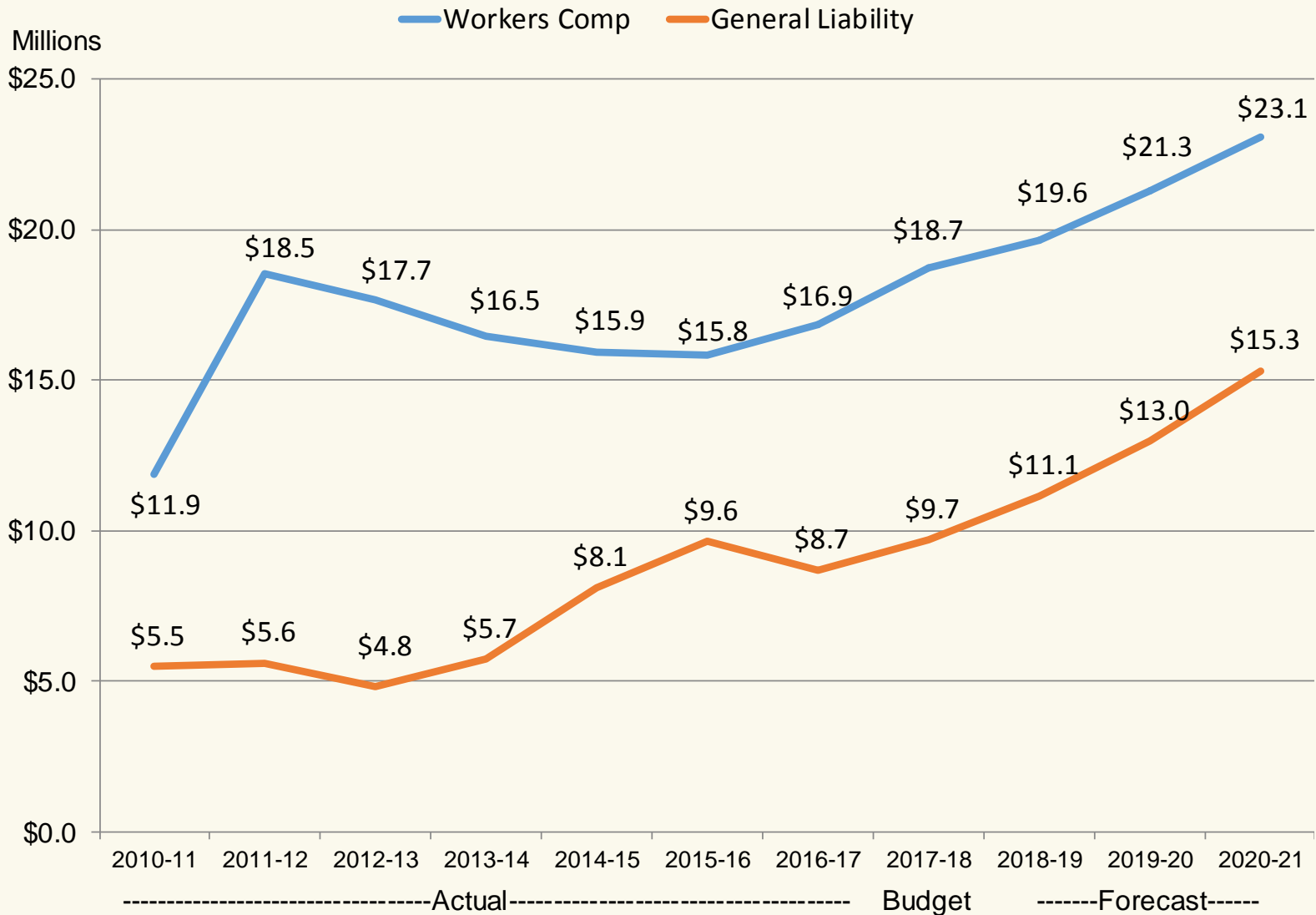


# Employer-Paid Pension Contributions



- Pension contributions on behalf of employees are doubling over a seven-year period for most counties and cities, and Monterey County is no exception.
- Already \$13 million higher than three years ago, general fund pension payments increase from \$44.9 million in the current year to \$90 million by FY 2024-25 based on information from CalPERS.
- Driving the increase is CalPERS' lowering of its assumed rate of return, actuarial changes to pay down unfunded liabilities, and updates to demographic assumptions.

# Rising Insurance Program Costs



- Workers compensation program costs have increased \$2.9 million over the last three years and increase an additional \$925,073 next fiscal year, with more increases planned for out years.
- General liability program costs have almost doubled in the last five years and increase another \$1.4 million next fiscal year with similar increases in out years.

Dollar amounts represent countywide (all funds) expenditures.

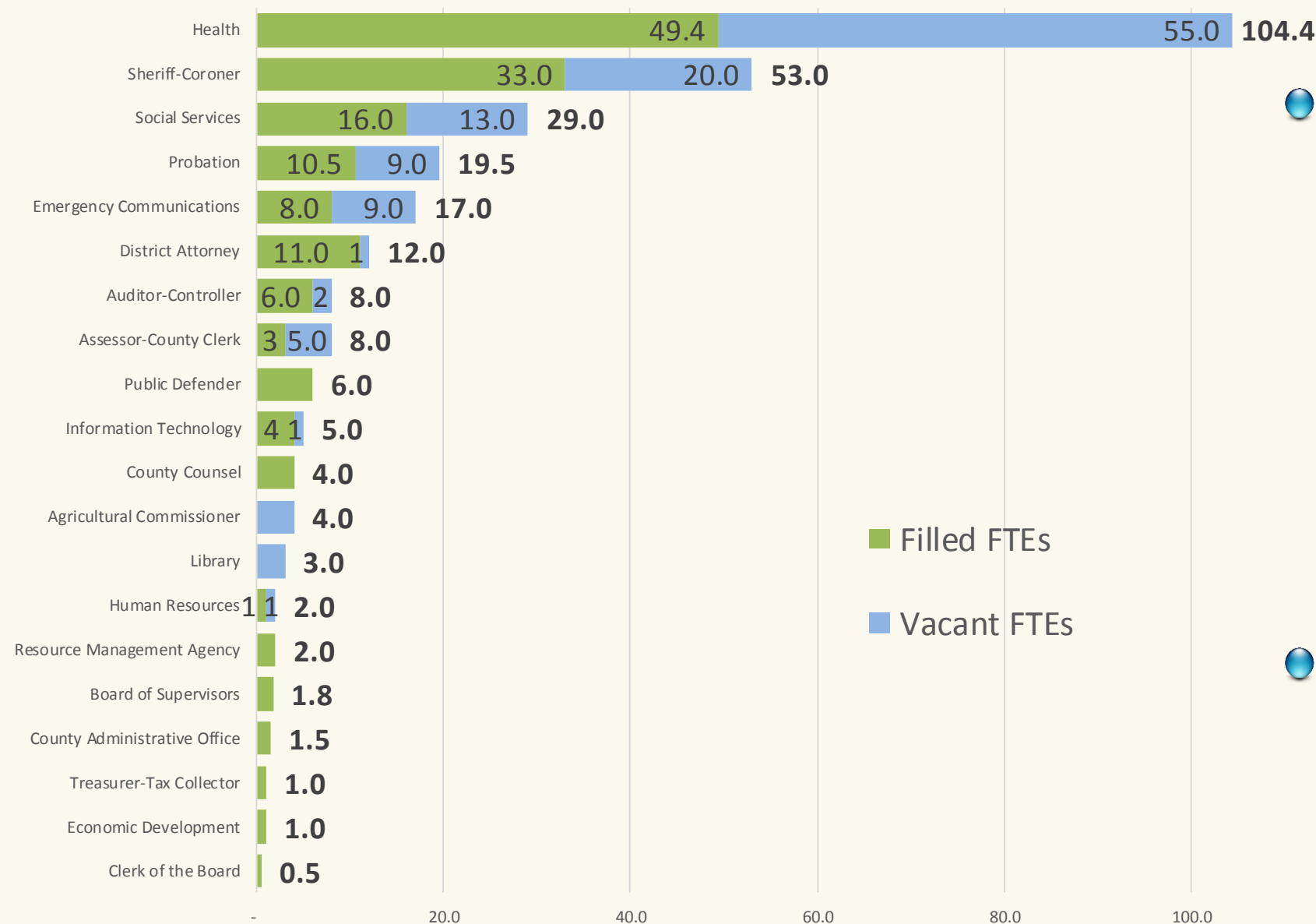
# Program Enhancements

- Over the past five years, added 30 custody control specialists and 17 additional safety positions in the Sheriff's Office at an annualized cost \$5.8 million.
- Added 8 positions in the District Attorney's Office at an annual cost of \$851,723 to support investigations and process digital evidence.
- Eight "backfill" staff continue to support the ERP upgrade at an annual cost of \$1.1 million.
- Added \$1.1 million in the current year to support homeless programs including a warming shelter and safe parking program.
- Invested in various other needs including \$840,000 for the Salinas Valley Basin GSA, \$1.3 million over several years for the Interlake Tunnel, \$500,000 in the current year for the Monterey Bay Housing Trust, \$275,000 to operate the Big Sur shuttle service, and an additional \$5.7 million in contributions to help tourism agencies, fire districts, 911 user agencies, & the Road Fund.

# Other Fiscal Pressures

- Some departments have significant revenue impacts, particularly the Health Department and the Sheriff's Office which are seeing the redirection of \$5.9 million in Health Realignment monies supporting indigent medical care
- Added \$2.9 million in annual debt service for renovation of the East-West Wing and Schilling Place improvements to meet employee space needs
- Discretionary non-program revenue is not keeping pace with County's cost of doing business

# Baseline Staffing Impacts



● To balance budgets after accounting for inflation & other fiscal pressures, **departments deleted 283 positions, including:**

– **123 vacancies**

– **160 filled positions**

● In addition to these position reductions, departments deleted 8 positions authorized as “ERP upgrade backfills”

# Departments with Significant Funding Gaps

- **Health Department – funding gap of \$11.1 million to maintain 104 positions (49 filled)** in public health, children’s medical services, public guardian, and animal services. Major fiscal pressures include:
  - \$4.2 million loss of health realignment funding for indigent medical care
  - \$1.5 million reduction in revenue for California Children’s Services
  - Expiration of \$1.1 million in one-time funding
  - \$1.1 million in higher COWCAP charges
- **Sheriff’s Office – funding gap of \$6.8 million to maintain 53 positions (33 filled).** Major fiscal pressures include:
  - \$4.0 million in increased salary & pension costs
  - \$2.1 million in higher COWCAP charges
  - \$833,758 to cover increased general liability and workers’ compensation programs costs
  - \$464,000 in higher inmate medical care costs

# Departments with Significant Funding Gaps

- **Social Services – funding gap of \$2.9 million to maintain 29 positions (16 filled).** Major fiscal pressures include:
  - \$3.8 million in increased salary & pension costs
  - \$1.0 million higher COWCAP charges
  - \$593,924 in higher workers' compensation and general liability costs
  - \$228,237 funding gap in OET
- **Probation – funding gap of \$2.3 million to maintain 19.5 positions (10.5 filled).** Major fiscal pressures include:
  - \$2.6 million in increased salary & pension costs
  - \$1.7 million in increased cost plan charges
  - \$243,556 to cover increased workers' compensation programs costs
  - Partially offset with \$1.8 million increase in realignment growth revenue and AB 109 allocations

# Departments with Significant Funding Gaps

- **Emergency Communications – funding gap of \$581,890 (leverages 70% user agency reimbursement) to maintain 17 positions (8 filled).** Major fiscal pressures include:
  - \$260,221 in increased salary & pension costs
  - Expiration of \$513,834 in one-time reimbursements from user agencies (used in place of general fund contributions in the current year budget)
  - Loss of \$135,914 in user agency reimbursements due to expiration of ERP charges
  - \$21,162 in higher workers' compensation costs
- **District Attorney – funding gap of \$1.5 million to maintain 12 positions (11 filled).** Major fiscal pressures include:
  - \$914,126 in increased salary & pension costs
  - \$734,608 in higher cost plan charges
  - \$142,843 to cover increased general liability programs costs
  - \$123,000 reduction in expected revenue



# Augmentation Requests

Department	Department Requested:	
	FTEs	GFC
Agricultural Commissioner	2.0	\$ 671,647
Assessor-County Clerk-Recorder	9.0	838,022
Auditor-Controller	19.0	2,530,355
Board of Supervisors	1.8	208,679
Civil Rights Office	-	75,000
Clerk of the Board	0.5	75,939
Cooperative Extension	2.0	152,825
County Administrative Office	2.5	284,891
County Counsel	6.0	1,066,221
District Attorney	13.0	1,898,721
Economic Development	1.0	208,785
Emergency Communications	17.0	885,347
Health	71.3	5,959,862
Human Resources	15.0	2,825,165
Information Technology	-	4,525,000
Library	-	300,000
Probation	19.5	3,064,033
Public Defender	11.0	1,983,157
Resource Management Agency	14.0	31,246,161
Sheriff-Coroner	85.0	9,352,197
Social Services	17.0	4,070,011
Treasurer-Tax Collector	1.0	153,983
Water Resources Agency	-	891,794
<b>Totals</b>	<b>307.6</b>	<b>\$ 73,267,795</b>

- Received augmentation requests for an additional \$73.3 million, including:
  - \$14.7 million to keep 149 filled positions
  - \$5.0 million to keep 65 vacancies
  - \$5.9 million to maintain non-personnel “status quo” operations
  - \$9.8 million to add 93 new positions
  - \$7.3 million for capital improvements
  - \$4.9 million for new/expanded services
  - \$25.7 million for contributions to other funds (includes \$24.5 million to the Road Fund for storm repairs)

# Requests to Keep Filled Positions

Filled Positions	Requested FTEs	Requested GFC
Assessor-County Clerk-Recorder	3.00	304,611
Auditor-Controller	9.00	1,370,754
Board of Supervisors	1.75	176,179
Clerk of the Board	0.50	75,939
County Administrative Office	2.50	284,891
County Counsel	4.00	610,828
District Attorney	11.00	1,360,195
Economic Development	1.00	155,995
Emergency Communications	8.00	278,942
Health	36.74	1,033,889
Human Resources	4.00	517,591
Probation	10.50	1,663,398
Public Defender	6.00	903,522
Resource Management Agency	1.00	162,262
Sheriff-Coroner	33.00	4,123,849
Social Services	16.00	1,478,167
Treasurer-Tax Collector	1.00	153,983
	148.99	14,654,995

- Received augmentation requests for an additional \$14.7 million, including:
  - \$1 million (leverages outside funding) to keep 37 filled positions in Health
  - \$4.1 million to keep 33 filled staff in the Sheriff's Office
  - \$1.5 million to keep 16 filled staff in Social Services
  - \$1.4 million to keep 11 filled positions in the District Attorney
  - \$1.7 million to keep 10.5 filled staff in Probation
  - \$5.0 million to retain 41 filled positions in 12 other departments

# Requests to Keep Vacant Positions

Vacant Positions	Requested FTEs	Requested GFC
Agricultural Commissioner	2.00	137,150
Assessor-County Clerk-Recorder	5.00	423,241
Auditor-Controller	3.00	391,824
District Attorney	1.00	115,718
Emergency Communications	9.00	302,948
Health	13.40	142,282
Human Resources	2.00	291,711
Probation	9.00	1,072,941
Sheriff-Coroner	20.00	2,140,371
Social Services	1.00	21,390
	65.40	5,039,576

- Received augmentation requests for an additional \$5.0 million, including:
  - \$2.1 million to keep 20 vacancies in the Sheriff's Office
  - \$142,282 (leverages outside funding) to keep 13 vacancies in Health
  - \$302,948 (leverages outside funding) to keep 9 vacancies in Emergency Communications
  - \$1.1 million to keep 9 vacancies in Probation
  - \$423,241 to keep 5 vacancies in the Assessor-Clerk-Recorder's Office
  - \$957,793 to keep 9 vacancies in 5 other departments

# Other Requests to Keep Status Quo Operations

Status Quo Other	Requested GFC
Agricultural Commissioner	534,497
Board of Supervisors	32,500
County Counsel	129,648
District Attorney	159,970
Economic Development	37,790
Emergency Communications	303,457
Civil Rights Office	75,000
Health	90,000
Probation	327,694
Resource Management Agency	1,815,047
Sheriff-Coroner	530,000
Social Services	1,846,364
	5,881,967

- Received augmentation requests for an additional \$5.9 million, including:
  - \$1.8 million to Social Services to continue supporting homeless programs, Pathways to Safety, Family to Family, and Veteran's Stand Down
  - \$1.8 million to RMA for Schilling Place operations & maintenance, nuisance abatement, local coastal program, general plan implementation, and street sweeping.
  - \$530,000 for the Sheriff's Office to buy mobile computers & jail identification system
  - \$1.7 million to other departments to maintain non-staffing operations

# Requests to Add New Positions

New Position	Requested FTEs	Requested GFC
Assessor-County Clerk-Recorder	1.00	110,170
Auditor-Controller	7.00	767,777
Cooperative Extension Service	2.00	152,825
County Counsel	2.00	325,745
District Attorney	1.00	206,338
Health	21.10	2,666,896
Human Resources	9.00	1,151,463
Public Defender	5.00	579,635
Resource Management Agency	13.00	1,290,912
Sheriff-Coroner	32.00	2,557,977
	93.10	9,809,738

- Received augmentation requests for an additional \$9.8 million, including:
  - \$2.6 million to add 32 new staff in the Sheriff's Office
  - \$2.7 million to add 21 staff in Health
  - \$1.3 million to add 13 positions in RMA
  - \$1.2 million to add 9 staff in HR
  - \$767,777 to add 7 staff in the Auditor-Controller's Office
  - \$579,635 to add 5 staff to the Public Defender
  - \$795,078 to add 6 positions in other departments

# Requests for Capital Spending

Capital Improvements		Requested GFC
Human Resources		500,000
Information Technology		4,525,000
Resource Management Agency		2,295,470
		7,320,470

- Received augmentation requests for an additional \$7.3 million, including:
  - \$2.3 million for RMA for Carmel River and Carmel Lagoon conservation projects
  - \$500,000 for Human Resources to implement a new Learning Management System
  - \$4.5 million for ITD infrastructure, including microwave upgrades, seismic retrofitting of radio towers, replacement of network equipment to ensure reliability, continued conversion to wireless networks and replacement of phone system, video conferencing technology, & IT building improvements.

# Requests for New/Expanded Programs

New Program/Service - General Fund	Requested GFC
District Attorney	56,500
Economic Development	15,000
Health	2,026,795
Human Resources	364,400
Public Defender	500,000
Resource Management Agency	1,182,470
Social Services	724,090
	4,869,255

- Received augmentation requests for an additional \$4.9 million, including:
  - \$2.0 million for Health for cannabis-related staffing/services
  - \$1.2 million for RMA for drainage maintenance & flood prevention, vegetation removal, fire prevention, & Salinas Valley Groundwater Basin Study
  - \$724,090 for Social Services to support increased general assistance grants
  - \$500,000 for the Public Defender for capital case defense
  - \$435,900 for various other new needs

# Requests for Contributions to Other Agencies/Funds

Contribution to Other Funds		Requested GFC
Library		300,000
Resource Management Agency		24,500,000
Water Resources Agency		891,794
		25,691,794

- Received augmentation requests for an additional \$1.2 million, including:
  - \$300,000 additional contribution to the County Library
  - \$891,794 as part of the \$3 million in reimbursement authority previously authorized to the Water Resources Agency for the inter-lake tunnel project
  - \$24.5 million to RMA for unfunded storm repairs



# Resources Available to Fund Next Year's Needs

- Next fiscal year, there will be \$11.6 million less discretionary financing to support general fund operations:

\$4.0 million growth in discretionary revenue, offset by:

- Expiration of \$6.5 million in the contingencies reserve used to fund the current year's appropriation for contingencies<sup>1</sup>
- Expiration of \$5.1 million unassigned fund balance used in the current year to fund augmentations for departments impacted by ERP charges
- \$1.6 million needed to continue 22 FTEs restored during budget hearings
- Non-recoverable settlement of \$7.3 million, of which \$2.4 million must be paid next fiscal year

## Significant Changes in Discretionary Funding to Support Departmental Operations

Growth in Discretionary Revenue	\$4.0
Expiration of One-time Reserves:	
Reserve for Contingencies	(6.5)
Unassigned Fund Balance	(5.1)
Non-recoverable Litigation	(2.4)
Permanent Funding for Restored FTEs	<u>(1.6)</u>
Change in Disc Financing to Support Dept	(11.6)

# Assumptions Guiding Budget Development

- Cannabis revenue has been excluded as a source of discretionary revenue as it has been following a special allocation process led by the CAO – Intergovernmental & Legislative Affairs Division
  - \$3.1 million collected last fiscal year and placed in reserve
  - \$7.4 million is expected in the current year, of which \$737,000 has been programmed
  - Next year's revenue could be lower as the industry asks for lower rates
  - Departments submitted augmentations requesting \$7.6 million to run the program
- Assumes \$6.5 million (1% of GF revenue) budgeted for contingencies according to current policy
- Assumes \$1.9 million in discretionary TOT is contributed to agencies that promote tourism
- Assumes \$5.3 million (25% of TOT) is contributed to the Road Fund
- Assumes \$3.0 million in discretionary Proposition 172 funding is contributed to fire agencies
- Assumes \$1.6 million in discretionary Proposition 172 funding is shared with 9-1-1 user agencies

# Wrap-Up

- Next fiscal year departments incur \$27.2 million (all funds) in increased costs from raises, pensions, & insurance programs
- Departments are also challenged by program-specific cost increases and some have significant loss of revenue
- The current workforce of 5,301 FTEs cannot be sustained while large annual cost increases
- Departments request \$47.8 million in augmentations next year, including \$14.5 million protecting filled staff
- **There is no discretionary funding available for funding augmentations other than cannabis revenue or redirection from non-core programs**
- Staff are exploring opportunities for redirection from non-core programs

	General Fund	All Funds
<b>Inflationary pressures</b>		
Raises	\$9.6	\$14.9
Pension Contributions	7.0	10.0
Workers Comp & Gen Liability	<u>2.4</u>	<u>2.3</u>
	19.0	27.2

# Discussion

# Department Head Presentations