INTRODUCTION

The County Administrative Office is pleased to present the Budget End-of-Year Report (BEYR) for Fiscal Year (FY) 2017-18. The financial data utilized in this analysis is unaudited and subject to revisions. This report is prepared to promote financial transparency and responsible financial oversight. The BEYR provides a comprehensive analytical comparison between the County's final modified budget and year-end results by reviewing the following items:

- The health of the County's finances.
- The County's management of its budget and forecasting of revenues and expenditures.
- The major financial developments, issues, and trends shaping the County's finances.
- The County's management of reserves and long-term liabilities.

The BEYR begins with an analysis of countywide performance of the general fund – the largest fund that supports core governmental functions, followed by analysis on the financial performance of departments and other funds.

GENERAL FUND HIGHLIGHTS

The general fund supports core governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The FY 2017-18 adopted budget included $679.8 million in appropriations, matched by an equivalent amount of financing. Subsequent modifications throughout the year increased appropriations by $1.9 million, financed by additional revenue and fund balance for one-time expenditures. The County ended the fiscal year with a favorable performance compared to the final budget.

General Fund At-a-Glance	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Fund Balance (FY 2016-17)	$ 6.0	$ 6.0	$ 8.7
Cancellation of Restricted Fund Balance	15.8	15.8	9.3
Cancellation of Assignments	21.0	22.9	20.4
Revenues	636.9	639.5	659.9
Total Financing Sources	**679.8**	**684.2**	**698.4**
Financing Uses:			
Nonspendable Fund Balance	-	-	0.3
Restricted Fund Balance	-	-	25.6
Assignments	-	-	23.8
Strategic Reserve - General Fund	-	-	10.0
Strategic Reserve - NMC			7.2
Expenditures	679.8	681.7	627.6
Total Financing Uses	**679.8**	**681.7**	**694.6**
Subtotal Unassigned Fund Balance:	**-**	**2.5**	**3.8**
Obligated in FY 2018-19 Adopted Budget[1]			**(2.3)**
Unassigned Fund Balance:	**-**	**2.5**	**1.5**

Dollars shown in millions. Numbers may not total due to rounding.
[1]$2.3 million in FY 2016-17 unassigned fund balance was utilized to fund one-time needs in the FY 2018-19 adopted budget.

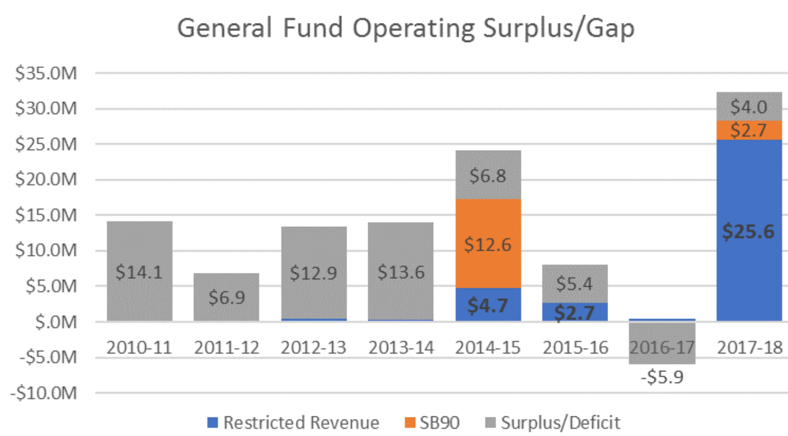
Highlights of the general fund performance include:

- Revenues totaled $659.9 million, or $20.4 million above the final modified budget largely due to one-time technical adjustments in restricted revenue and growth in discretionary revenue.
- Year-end expenditures totaled $627.6 million, or $54.1 million below the final modified budget. Factors contributing to unused appropriations include salary and benefit savings from vacant positions ($28.4 million), lower capital improvement allotments ($4.0 million), unused contingencies ($3.2 million), and lower costs in health and social services programs like CalWORKs and health clinics.
- Revenues were higher than expenditures by $32.3 million, resulting in an operating surplus made up of non-recurring revenues that include cannabis tax revenue and a strategic reserve transfer from Natividad, and a technical adjustment recognizing one-time restricted revenue detailed below.
- The County utilized $20.4 million in assigned fund balance and $9.3 million in restricted fund balance largely for repairs to County infrastructure damaged during previous year winter storms and for capital projects such as the East-West Wing and the new juvenile hall.
- The County added $41.0 million to its reserves, including $14.0 million for the cannabis assignment, $10.0 million to the strategic reserve, $7.2 million for Natividad's portion of the strategic reserve, and $5.7 million for the building improvement reserve.
- The County added $25.9 million to restricted and non-spendable fund balance as departments recognized revenue collected for restricted purposes discussed in further detail below.
- The general fund adopted contingency appropriation totaled $3.5 million, of which $362,423 was utilized by four

departments, leaving a balance of $3.2 million, of which $3.0 million was encumbered for delay in revenue related to the agreement between the County and California Flats Solar, LLC.

- Excluding non-departmental budgets, nineteen departments ended the fiscal year with a general fund contribution (GFC) surplus totaling $7.2 million, while four departments had a GFC deficit of $1.3 million, resulting in a combined savings of $5.9 million.
- The County Administrative Office estimates ending the fiscal year with unassigned fund balance of $3.8 million. Of this amount, $2.3 million is carried forward from earlier fiscal years and obligated to fund one-time expenditures in the FY 2018-19 adopted budget. The final results are subject to annual audit and will be published by the Auditor-Controller in the Comprehensive Annual Financial Report later this year.

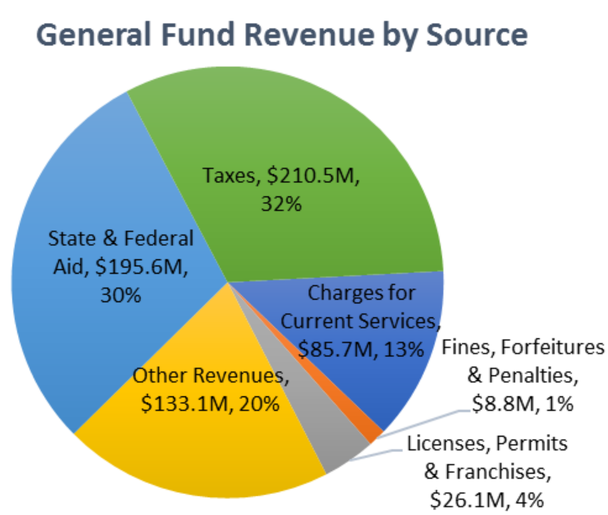
OPERATING SURPLUS LARGELY DRIVEN BY TECHNICAL ACCOUNTING CHANGES AND NON-RECURRING EVENTS



In FY 2017-18, general fund revenue outperformed budgeted amounts and departments largely stayed within their budgeted appropriations resulting in a surplus of $32.4 million for the year. Approximately $25.6 million of the operating surplus came from technical accounting changes in which the Auditor-Controller recognized revenue earned and held in deferred accounts for restricted purposes in accordance with Governmental Accounting Standards Board (GASB) Statement 33. Once recognized, these revenues were moved into restricted fund balance accounts. The bulk of these monies are restricted to health programs with additional amounts restricted to activities such as public, education, and government (PEG) broadcasting and real estate fraud prevention.

The year-end operating surplus was also influenced by non-recurring events. Discretionary cannabis revenues totaled $14.6 million which, after deducting for $632,061 in operating expenditures, added $14.0 million to the cannabis fund balance assignment. The $14.6 million was earned under the prior taxing structure and included collection of penalties in cases of non-compliance. Other non-recurring revenues included $2.7 million in SB 90 State reimbursements for mandated services, $3.8 million in disaster reimbursements, and a $7.2 million transfer from Natividad into the general fund and applied to its portion of the strategic reserve. Without the one-time technical adjustments and non-recurring revenues, the County would have ended the year with an operating deficit.

GENERAL FUND REVENUE

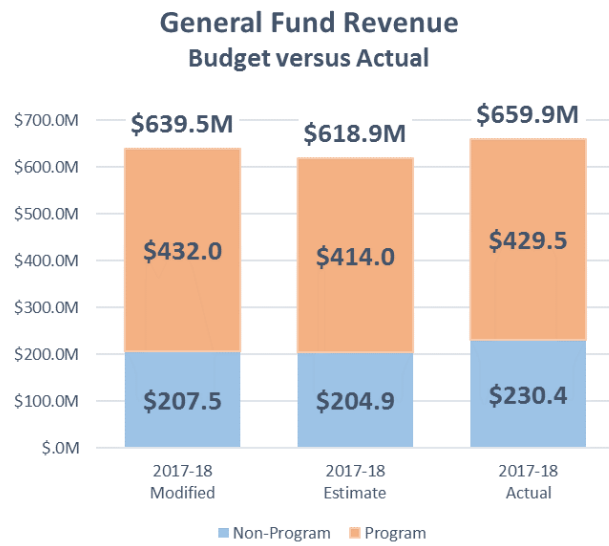


General fund revenue is composed of program and non-program revenue. Program revenue accounts for about two-thirds of revenue and is specifically designated and/or statutorily required for programs. Sources of program revenue are derived from State and federal aid for various mandated programs primarily in health and social services, charges for services are primarily fees collected by health clinics and the 911 consolidated dispatch center for services provided to cities and fire districts, and "other revenues" primarily include reimbursement from realignment funds for health, social services, and public safety programs.

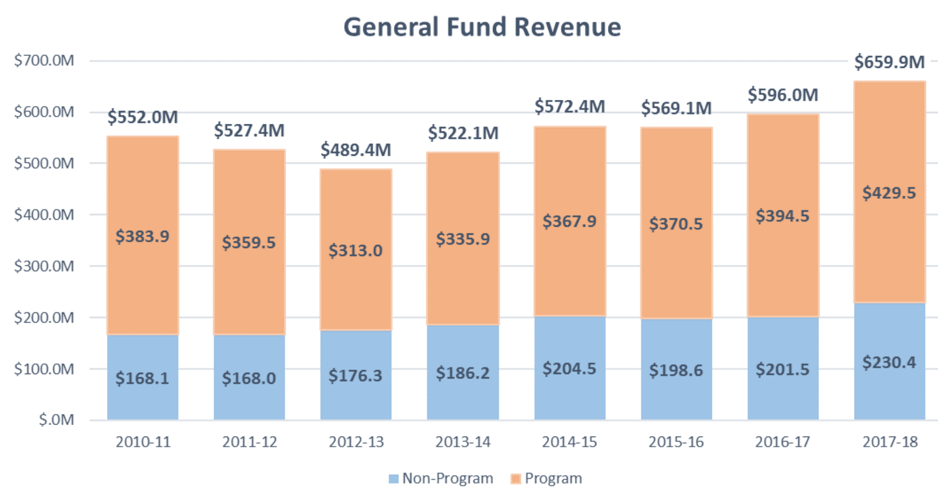
Non-program revenues account for about one-third of the general fund's revenues and are discretionary funds used to address local priorities, leverage federal and State monies and to meet maintenance of effort requirements. Non-program revenue sources are primarily derived from taxes, including property taxes, transient occupancy tax (TOT), sales and use tax, and cannabis tax.

General fund revenues of $659.9 million exceeded budgeted expectations by $20.4 million. Major variances included:

- $14.6 million in cannabis revenue, exceeding the amount budgeted for operations by $14.0 million.
- An $8.7 million favorable result for other non-program revenue, namely secured property tax, transient occupancy tax (TOT), SB 90 State reimbursements, and interest income.
- $3.8 million in disaster assistance reimbursements.
- $13.7 million unfavorable variance in federal and State aid attributed to lower-than-planned caseloads and associated reimbursable expenditures in the Department of Social Services.
- $7.2 million transfer from Natividad and applied to their strategic reserve.

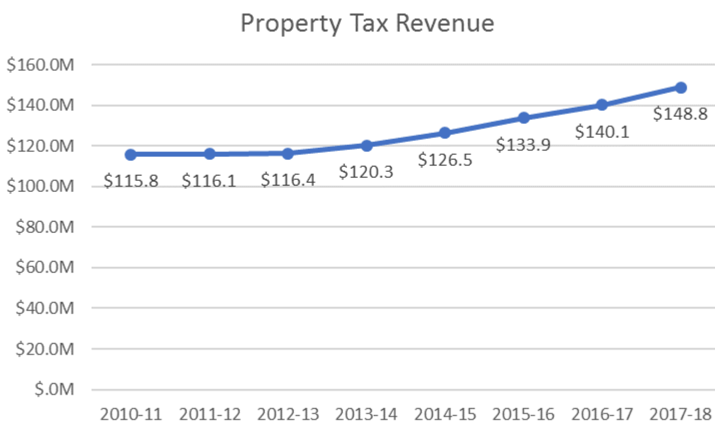


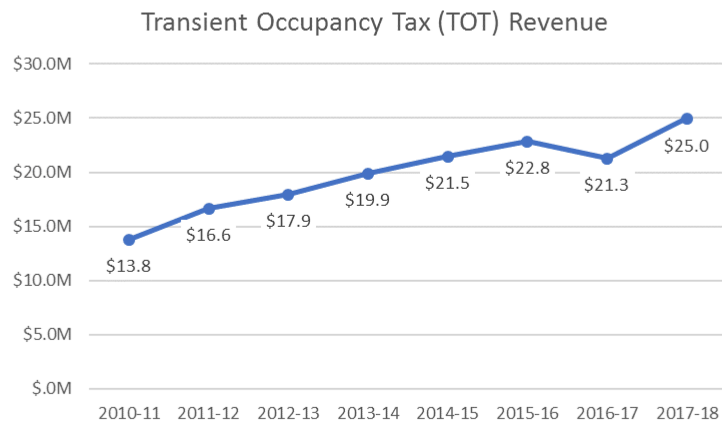
General fund revenues increased $63.9 million over the previous year. Year-over-year increases included:



- $22.5 million in GASB 33 technical accounting changes described in the previous page:
    - The Health Department recognized $18.5 million in previously unearned revenue and transferred to restricted fund balance for payments to the State for any overpayment of revenue for clinic services.
    - The Information Technology Department recognized $4.0 million in revenue and transferred to restricted fund balance for revenue received from PEG fees.
- A $28.9 million increase in countywide discretionary revenue, much of which was cannabis-related, discussed in detail below.
- $22.7 million in transfers from other County funds, including the $7.2 million transfer from Natividad to be applied to its portion of the strategic reserve and the balance made up from reimbursements for programs eligible for reimbursement from realignment funds such as CalWORKs.
- A $6.6 million increase in concession revenue at WeatherTech Raceway Laguna Seca.
- $1.9 million in higher license and permit fees, largely due to business and construction permits.
- $1.2 million in higher State and federal aid largely from winter storm reimbursements.
- The increases in revenues over the prior year were also offset by $15.5 million less in lease proceeds that were based on a technical adjustment in FY 2016-17 and by $4.4 million less in charges for services such as emergency communications and for elections.

Discretionary non-program revenue increased $28.9 million over the prior year. The increase is due to improvement in property tax revenue, TOT, and cannabis tax revenues. The trends for property tax and TOT, the two largest sources of non-program revenue, are shown below:



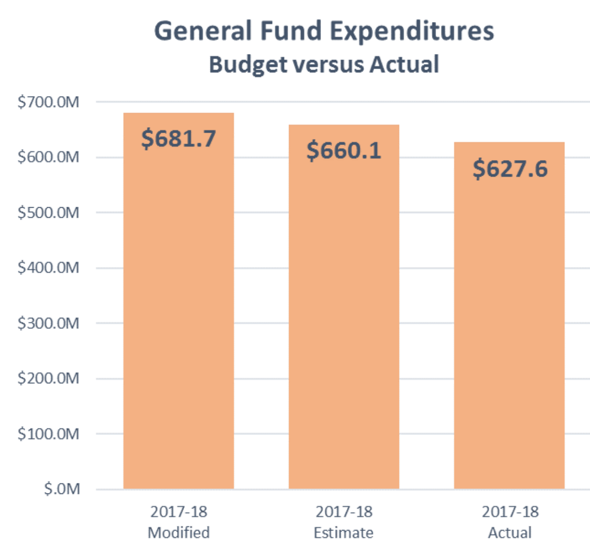


Major variations in discretionary revenue include:

- A $8.7 million increase in property taxes, due to increasing property assessments.
- An increase of $11.5 million in cannabis taxes as a result of the first whole fiscal year under the initial cannabis tax structure. This increase factors in one-time revenues from cannabis tax penalties. Recently reduced commercial cannabis tax rates and penalties are expected to lower revenue starting in FY 2018-19.
- A $3.7 million increase in TOT revenue as the peninsula recovers from significant damage and road closures caused by wildfires and winter storms.
- A one-time increase of $2.7 million attributed to non-recurring SB 90 State reimbursements.

GENERAL FUND EXPENDITURES

General fund expenditures ended the year at $627.6 million or $54.1 million below the final budget. Lower expenditures are attributed to salary savings from vacant positions and lower operating expenditures primarily in Health and Social Services as explained below.



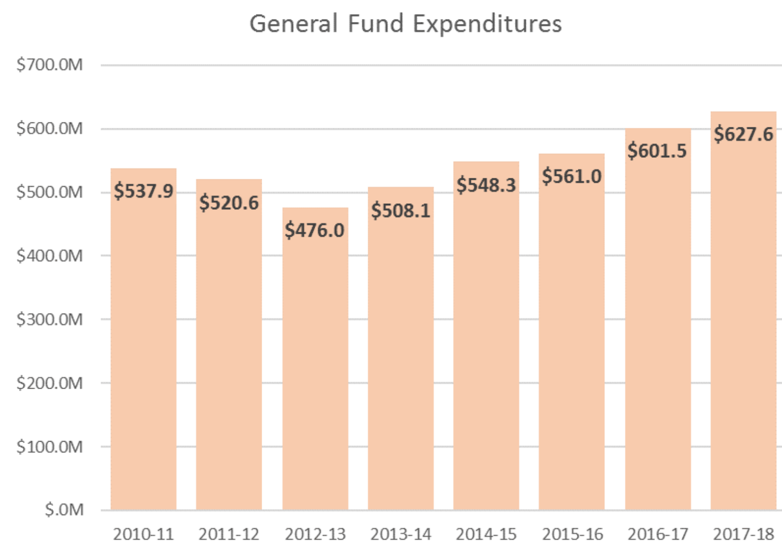
Key areas of unspent appropriations:

- The Health Department's expenditures were $17.9 million lower than budget as result of an 18% vacancy rate primarily in clinics.
- Expenditures for Social Services were $13.6 million below budget due to a decrease in client aid via CalWORKs and Out of Home Care programs and salary savings.
- The County did not spend $3.2 million of the appropriation for contingencies.
- $4.0 million less than budgeted transfers to other funds primarily due to the deferral of road projects to complete disaster recovery projects.
- Probation's expenditures were $3.1 million below budget due to lower costs such as employment transition, data system, salary savings, and lower institutional operating costs.
- County Counsel had unused appropriations of $1.7 million largely due to salary savings from unanticipated vacancies, increased departmental billing, and unused appropriations from suspended soil testing at Lake San Antonio and Lake Nacimiento.
- The Assessor had lower expenditures of $1.0 million due to salary savings and implementation of a County Clerk/Recorder computer software system upgrade that decreased service and maintenance costs.
- Elections had unused appropriations of $704,499 from savings in ballot printing services and less temporary

employee costs due to fewer-than-planned local elections.

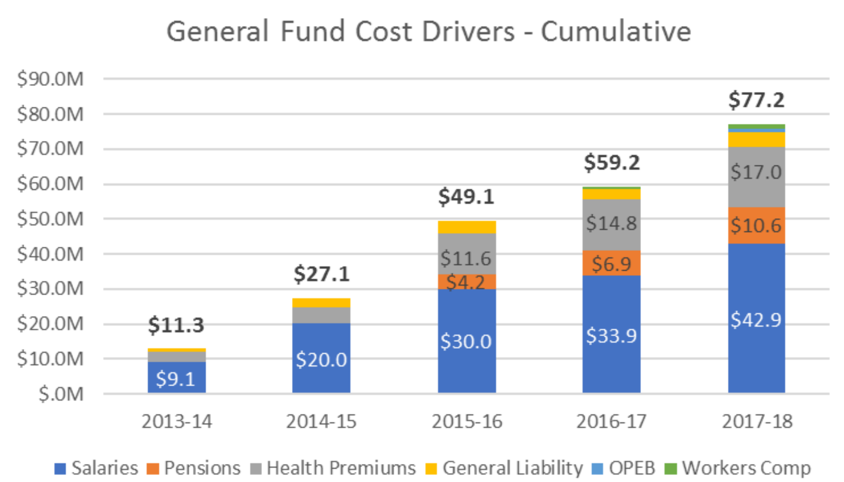
- The following departments had a combined $7.6 million in unused appropriations chiefly because of salary and benefit savings from vacant positions: Resource Management Agency ($3.0 million), Sheriff-Coroner ($1.0 million), Treasurer-Tax Collector ($1.0 million), Child Support Services ($652,636), District Attorney ($582,620), County Administrative Office ($441,821), Human Resources ($345,897), Auditor-Controller ($323,997), Civil Rights ($122,223), and Clerk of the Board ($90,600).

Expenditures grew $26.0 million or 4.8% over the prior year. Increased personnel costs ($16.7 million) made up more than half of the total increase, with most of that growth resulting from higher salary, pension, health premium, and workers' compensation costs. Transfers to other County funds grew by $8.5 million as the general fund transferred funding for capital projects such as the new juvenile hall and provided a $1.5 million loan to the Pajaro County Sanitation District. Capital improvement costs increased by $6.1 million while contracted services increased by $9.8 million due to the inclusion of WeatherTech Raceway in FY 2017-18, and additional services in the Health and Information Technology departments. These areas of expenditure growth were partially offset by the absence of the one-time $15.6 million technical accounting change to recognize capital lease expenditures in FY 2016-17.



COST DRIVERS

The chart to the right reflects the major cost drivers impacting expenditures on a cumulative basis. Salaries are the biggest cost driver, growing $42.9 million over the last five fiscal years due to an additional 273 full-time equivalent (FTEs) and MOU wage increases. Healthcare premium costs have grown by $17.0 million and pension contribution costs have grown $10.6 million cumulatively over this time. Benefit costs are consuming an increasing share of the employee compensation package. In FY 2017-18, pensions, healthcare premiums, and other post-employment benefits (OPEB) totaled 26.2% of total compensation and will continue to grow at a fast rate given CalPERS' plans to increase contribution rates in coming years and considering the historical growth trend in healthcare premium rates. Beyond these benefit costs, general liability program allocations have increased by $4.2 million, while workers' compensation has increased by $1.5 million cumulatively over the past five years.



Salaries increased $9.0 million over the prior year largely due to MOU wage increases. Higher salary costs are associated with wage increases based on approved MOUs which provided employees in most bargaining units a 2.5% raise in FY 2017-18. Most employees received an additional raise of 3% in July 2018, adding another $7.2 million in general fund costs. It is unknown at this time what future MOU agreements will do to salary costs, but in the past five years the general fund has absorbed an average annual increase of $8.6 million in salary costs.

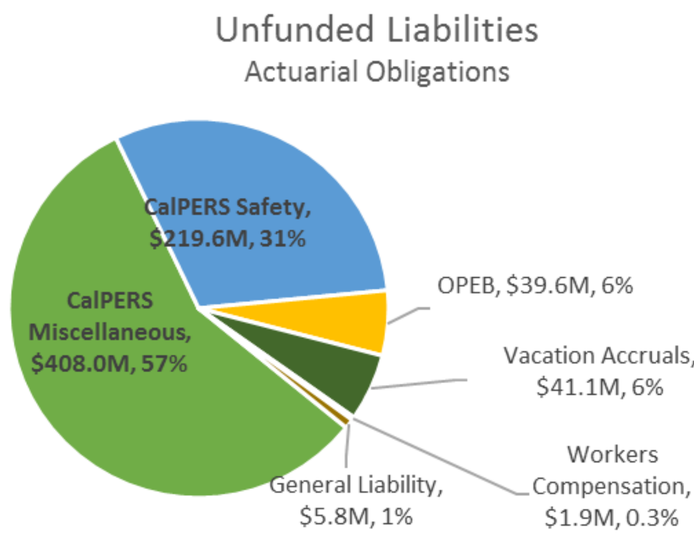
Contributions to CalPERS for employee pensions increased $3.7 million over the prior year. CalPERS implemented changes in actuarial methodology to accelerate payment towards agencies' unfunded liability and updated demographic assumptions as members continue to live longer and have higher salaries than previously estimated, thus resulting in higher life-time benefits. Additionally, the CalPERS actuarial studies are assuming a lower discount rate, which will increase current and future contributions. In FY 2017-18, pension contributions made up 11.4% of total employee compensation.

Contributions towards employee health insurance increased $2.1 million over the prior year. Health insurance premium cost has increasingly absorbed a greater portion of the budget and is a constant cost pressure faced by the County. In the second half of FY 2017-18, premiums did not increase for the 2018 calendar year. However, in the 2019 calendar year the County's share of premium cost per employee will increase by 6.5%. Healthcare premiums are estimated to increase by an annual average of 8% in future years based on historical experience.

General liability, OPEB, and workers' compensation costs increased $3.7 million over the prior year. General liability, OPEB, and workers' compensation costs all saw an increase over the prior year.

UNFUNDED LIABILITIES

The County incurs liabilities for benefits that are accrued. The unfunded liability is the amount, at any given time, by which future payment obligations exceed the present value of funds available to pay them. Some of the County's long-term obligations include: CalPERS' pension obligations, OPEB (retiree health insurance), vacation accruals, and the general liability self-insured program. The County's unfunded liabilities total $704.7 million.



Unfunded employee pension benefits are the largest liability at $627.6 million. The County's pension plans provide defined retirement, disability, and death benefits to eligible employees. According to the latest actuarial dated July 2018, the County's total liability is $2.4 billion, with assets of $1.8 billion, resulting in an unfunded liability of $627.6 million. The unfunded liability for the pension plans increased $1.7 million over the previous valuation, or 0.3%. The increase follows continuous years of assets not keeping up with the increasing cost of pension obligations. In December 2016, the CalPERS Board approved a lower discount rate, decreasing the assumed return on investment from 7.5% to 7.0% over three years. The change in the assumed discount rate increases the unfunded liability in the latest actuarial report and will have impact on contributions from FY 2018-19 through FY 2024-25. If investment earnings underperform, as they have done in the recent past, the County's unfunded liability could see higher year-over-year unfunded liability increases.

The County has an unfunded liability of $39.6 million for Other Post-Employment Benefits (OPEB). The County participates in the California Employers' Retiree Benefit Trust (CERBT) to provide a low cost, professionally managed investment vehicle for pre-funding retiree health benefits and OPEB. Based on the latest actuarial as of June 30, 2017, the County's total liability is $67.5 million, with assets of $27.9 million, resulting in an unfunded liability of $39.6 million. The County makes regular contributions to CERBT based on actuarial valuations obtained every two years.

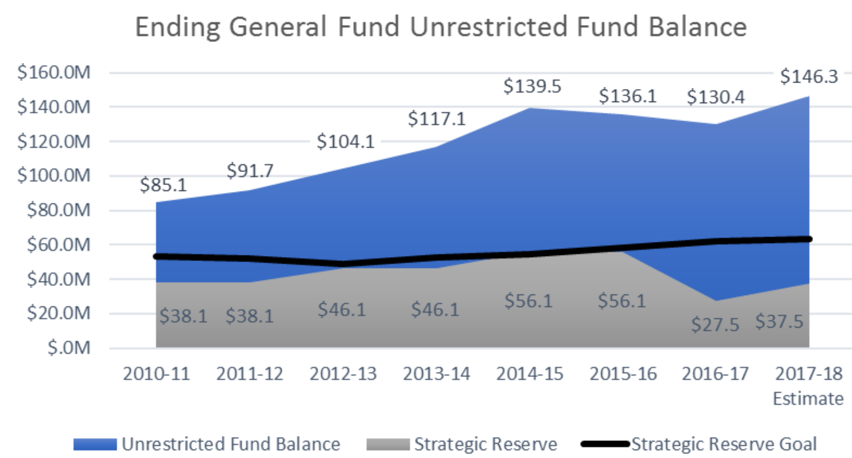
The unfunded portion of vacation accruals totals $41.1 million, representing the amount owed to employees for vacation pay that has been earned but not used. When an employee separates from the County, the employee is due vacation accruals. In FY 2017-18, vacation accruals totaled $49.1 million. The County has reserved $8.0 million for vacation accruals, leaving an unfunded liability of $41.1 million.

The County's general liability self-insured program currently has an actuarially-determined deficit of $5.8 million, $1.2 million higher than the prior year. The increase is due to higher County settlements. Funding levels for the general liability insurance program is recommended by the County's actuary, and is based upon loss history and future exposure.

The growing unfunded liabilities places additional pressure on the County's operational capacity. For example, the ongoing cost for pensions continue to absorb a greater portion of the budget as contributions are anticipated to increase sharply to reduce the unfunded liability. To minimize adverse impacts, it is important to address unfunded liabilities through prudent financial planning and adjust the County's operating plan accordingly to maintain structural balance and meet future commitments.

FUND BALANCE – PLANNING FOR THE FUTURE

Since the Great Recession, the Board has strengthened financial policies to restore balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Since FY 2010-11, the County has invested year-end surpluses in its strategic reserve and other key investments, resulting in improvement to the County's ending fund balance almost every year. Unrestricted fund balance has grown from $85.1 million in FY 2010-11 to an estimated $146.3 million at the end of FY 2017-18.



A significant component of unrestricted fund balance is the strategic reserve, which was established to fund unforeseen crises or changes in fiscal conditions, including: short-term revenue reductions due to economic downturns; legal judgements against the County in excess of reserves normally designated for litigation; declared natural disasters; one-time State budget reductions that could not be addressed through the annual appropriations for contingencies; and regional emergencies. The County has a strategic reserve target of 10% of the general fund estimated revenues. For FY 2017-18, the strategic reserve includes $25.0 million designated for Natividad and $37.5 million for the general fund. These balances include FY 2017-18 increases of $10.0 million and $7.2 million to the general fund and for Natividad's portion of the strategic reserve, respectively. The $37.5 million reserve for the general fund is currently at 5.9% of general fund estimated revenues.

The remaining fund balance is made up primarily of funds assigned for strategic investments throughout the County, with $17.0 reserved from cannabis tax revenues. Based on current year commitments and revenue estimates, this balance is expected to decline to $9.8 million by year-end FY 2018-19 (this does not include the November 2018 action taken by the Board to approve additional cannabis program staffing at an approximate half-year of $1.0 million). Other substantial fund balance assignments include $9.7 million for the vehicle asset replacement program, $8.0 million to mitigate the County's liability for leave accrual payouts and $7.1 million for general capital projects.

In FY 2016-17, the County faced wildfires and winter storms that caused damage to County infrastructure, affecting services to County residents. Because of the strategic investments and prudent financial planning, the County responded to the natural disasters and, unrelated to the natural disasters, litigation costs by authorizing funds from the strategic reserve, providing cash flow to commence critical work to restore roads and county services pending potential State and federal reimbursements. The chart above reflects a decrease of $28.6 million to the strategic reserve in FY 2016-17, where funds were transferred to appropriate assignments within the general fund to cover these unforeseen costs. Due to favorable performance in FY 2017-18, the County has begun rebuilding the strategic reserve, but still falls short of reaching the 10% goal of estimated revenues.

LOOKING AHEAD

As the regional economy continues growing after the Great Recession, the general fund has benefited from increasing revenue. However, even with the strong revenue growth, the general fund has not kept up with rising costs and service levels in some programs have suffered. Meanwhile, the aging economic expansion has endured 111 months, well beyond the average of 60 months. Decisions made during these “good times” will determine the how well the County fares in the next downturn. Continuing the County’s culture of conservative financial management, avoiding ongoing commitment of “peak” revenues, rebuilding reserves, and paying down unfunded liabilities is essential to preserving sustainable service levels into the future.

Unfunded Needs	FY 2018-19	FY 2019-20
Ongoing financial support for 22.4 FTEs and services restored through budget hearing modifications using one-time funding.		$3,493,085
State Redirection of AB 85 Realignment Funds		TBD
Safe Parking Program	28,751	
PERS Contribution Increase		8,420,785
In Home Support Service Negotiations	TBD	TBD
General Assistance Entitlement Shortfall	60,000	
Jail Expansion Staffing	380,682	2,012,499
Land Use Projects	1,469,470	1,159,517
2017 Winter Storm Damage (plus any FEMA/State reimbursements)	35,000,000	
Juvenile Hall Project Overrun	TBD	
Strategic Reserve Target Deficit		30,000,000
Lakes Resort Estimated Operational Deficit	1,750,000	TBD
Dam Repairs	TBD	TBD
Total	**$38,688,903**	**$45,085,886**

Unfunded Needs Continue to Pressure the General Fund. The general fund faces unbudgeted costs in FY 2018-19 and FY 2019-20. Only five months into the fiscal year, over $38.7 million in unbudgeted County costs have been identified for FY 2018-19. Most of the unfunded needs relate to projects managed by the Resource Management Agency (RMA) to address winter storm damages that occurred during the winter of 2017. The RMA anticipates receiving reimbursements through the State and FEMA for much of the costs associated with the winter storm repairs. In addition, the juvenile hall project is at risk of a construction cost overrun (staff is assessing project schedule and finances with more information to be provided in the coming months). Other unfunded needs include deficits to cover lake resort operations and new jail expansion staffing. The are other unfunded needs in the RMA for land use projects such as the general plan, the local coastal program update, and Carmel Lagoon sandbar management. Other costs include funding resulting from In Home Support Service negotiations and the County’s safe parking program.

In FY 2019-20, the general fund has an additional $45.1 million in unfunded needs that is likely to grow as the County progresses through the current fiscal year. The largest need is $30.0 million to rebuild the strategic reserve to meet the 10% policy goal. Other fiscal pressures include: an increase in annual pension obligations of $8.4 million; the Health Department presented to the Board a multi-year plan to utilize health realignment monies to avert impacts from AB 85 redirection; $3.5 million in permanent funding is needed to sustain modifications during the budget hearings that used one-time cannabis fund balance and contingencies funding to restore status quo services and staffing; the Sheriff has requested new positions to staff the jail housing addition at an estimated cost of $2.0 million; and there are undetermined costs to repair both dams at Lake San Antonio and Lake Nacimiento as presented by the Water Resources Agency in October. Additionally, $1.2 million in costs in the RMA for land use projects such as tide gate repairs and Carmel Lagoon projects. Staff is monitoring these issues and will bring forth funding options as appropriate.

DEPARTMENTAL BUDGET PERFORMANCE

In FY 2017-18, Monterey County programs, services, and administrative functions were provided through twenty-five departments. Twenty-three of these departments receive funding from the general fund. Departments and major funds are discussed later in the report and include the Library, Road, Natividad, Lake Resorts, and Behavioral Health funds.

The annual budget approved by the Board is the County's central financial planning document embodying the annual goals, objectives, priorities and levels of service and associated operating revenue and expenditures for all departments and agencies under the Board's authority. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department heads are responsible for managing their budgets within the total appropriation for their department. As established in the Board's General Financial Policies, expenditures shall not exceed appropriations and expenditures of the County's limited discretionary general fund contributions (GFC) will not exceed the amount approved by the Board. If revenues fall short, departments are expected to take all available actions to re-establish a balance between revenue and expenditures, including development of service alternatives and mitigation strategies.

Unaudited year-end results indicate the 23 general fund departments ended the fiscal year below budgeted GFC by a combined total of $5.9 million. Therefore, overall FY 2017-18 results are favorable in comparison to budgeted amounts. The table that follows summarizes year-end GFC results by department compared to the final budget, which includes mid-year budget modifications.

Dept	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to Actual
Agricultural Commissioner	$3,556,639	$3,556,639	$3,535,273	$21,366	$21,366
Assessor-County Clerk-Rec.	$4,481,300	$4,672,836	$4,477,941	$194,895	$3,359
Auditor-Controller (Deptl)	($160,894)	($333,065)	($508,402)	$175,337	$347,508
Board of Supervisors	$3,796,882	$3,796,882	$3,760,068	$36,814	$36,814
Child Support Services	($67,128)	$0	($224,680)	$224,680	$157,552
Clerk of the Board	$983,550	$931,454	$892,950	$38,504	$90,600
Cooperative Extension Service	$401,268	$419,186	$388,261	$30,925	$13,007
County Admin Office (Departl)	$1,573,370	$2,021,658	$1,011,888	$1,009,770	$561,482
County Counsel	$674,827	$296,789	($975,888)	$1,272,677	$1,650,715
District Attorney	$9,873,893	$9,771,526	$10,476,419	($704,893)	($602,526)
Economic Development	$4,125,718	$4,211,470	$4,012,779	$198,691	$112,939
Elections	$4,429,333	$3,998,342	$3,559,700	$438,642	$869,633
Emergency Communications	$254,445	$195,162	$894,395	($699,233)	($639,950)
Equal Opportunity Office	($84,161)	($65,106)	($206,384)	$141,278	$122,223
Health	$9,432,708	$9,577,008	$9,344,909	$232,099	$87,799
Human Resources	$1,657,445	$1,267,560	$1,311,548	($43,988)	$345,897
Information Technology	$13,653,948	$13,864,358	$13,653,699	$210,659	$249
Probation	$24,238,569	$24,351,232	$24,180,175	$171,057	$58,394
Public Defender	$12,045,168	$12,634,069	$12,054,638	$579,431	($9,470)
Resource Management Agency	$15,722,119	$7,995,808	$13,227,141	($5,231,333)	$2,494,978
Sheriff-Coroner	$66,178,216	$68,358,054	$65,933,921	$2,424,133	$244,295
Social & Employment Services	$13,084,274	$13,240,133	$13,064,150	$175,983	$20,124
Treasurer-Tax Collector	$1,500,198	$1,333,481	$1,544,873	($211,392)	($44,675)
General Fund Department Totals [1]	**$191,351,687**	**$186,095,476**	**$185,409,375**	**$686,101**	**$5,942,312**

[1] Excludes countywide, non-operational functions including: the appropriations for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service; memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management, and the County's non-program (i.e. discretionary) revenue.

Agricultural Commissioner

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$10,597,765	$10,548,619	$10,380,520
Revenues	7,041,126	6,991,980	6,845,247
GFC (Exp. - Rev.)	3,556,639	3,556,639	3,535,273
GFC Final Budget versus Actual:		Surplus	21,366

- The Agricultural Commissioner's year-end results included $10.4 million in expenditures offset by $6.8 million in revenues and a General Fund Contribution (GFC) of $3.5 million.
- The Department had a GFC surplus of $21,366 due primarily to savings in salary & benefits.
- The Department earned revenue of $153,863 from the State associated with an increase in pest detection activity; however, it was not received by the close of the fiscal year. The Department anticipates receiving the revenue by December 2018.

Assessor-County Clerk-Recorder

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$9,429,075	$8,714,336	$8,477,647
Revenues	4,947,775	4,041,500	6,181,418
GFC (Exp. - Rev.)	4,481,300	4,672,836	2,296,229
GFC Final Budget versus Actual:		Surplus	2,185,071
Transferred to Restricted Fund Balance			(2,181,712)
Adjusted Financial Result		Surplus	3,359

- Actual year-end expenditures were $951,427 below budget largely due to salary savings from vacant positions ($696,859) and the implementation of a County Clerk/Recorder computer software system upgrade which decreased service and maintenance costs ($254,567).
- Year-end revenues reflect lower than anticipated assessment and recording fees ($948,069), but the technical adjustment for the recognition of restricted revenue of $2.2 million increased revenues by $1.2 million compared to budget.
- The Department ended with a surplus of $3,359 after the restricted revenue of $2.2 million was transferred into restricted fund balance.

Auditor-Controller (Departmental)

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$317,885	$143,214	($9,112)
Revenues	478,779	476,279	499,290
GFC (Exp. - Rev.)	(160,894)	(333,065)	(508,402)
GFC Final Budget versus Actual:		Surplus	347,508

- Auditor-Controller's Countywide Cost Allocation (COWCAP) credit exceeded expenditures resulting in a negative expenditure actual of $9,112.
- The Department ended with a surplus of $347,508 due to savings from vacancies occurring throughout the year.

Auditor-Controller (Non-Departmental)

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$261,726	$219,431	$175,692
Revenues	0	0	0
GFC (Exp. - Rev.)	261,726	219,431	175,692
GFC Final Budget versus Actual:		Surplus	86,034

- Non-Departmental units administered by the Auditor-Controller's budget provide for functions that meet a county-wide need or responsibility, primarily the annual County audit.
- The year-end actuals reflect a GFC surplus of $86,034 due to the department negotiating lower audit costs.

Board of Supervisors

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$3,796,882	$3,796,882	$3,760,068
Revenues	0	0	0
GFC (Exp. - Rev.)	3,796,882	3,796,882	3,760,068
GFC Final Budget versus Actual:		Surplus	36,814

- The Board of Supervisors budget funds the five individual district offices, as well as an operational unit for general Board expenditures.
- The Board ended FY 2017-18 with a surplus of $36,814 due to decreased discretionary spending such as office supplies and travel.

Child Support Services

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$11,078,399	$10,858,077	$10,425,764
Revenues	11,145,527	10,858,077	10,650,444
GFC (Exp. - Rev.)	(67,128)	0	(224,680)
GFC Final Budget versus Actual:		Surplus	157,552

- The Department of Child Support Services (CSS) is funded entirely through State and federal subventions.
- Year-end expenditures savings of $652,635 were mostly attributed to salary and benefit savings from vacant positions.
- The expenditure savings was partially offset by lower-than-expected revenues, reflecting federal and State reimbursements received after the close of the prior fiscal year.

Civil Rights Office

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	($84,161)	($65,106)	($206,384)
Revenues	0	0	0
GFC (Exp. - Rev.)	(84,161)	(65,106)	(206,384)
GFC Final Budget versus Actual:		Surplus	122,223

- The Civil Rights Office’s actual expenditures were ($206,384) due to reimbursable Countywide Cost Allocation (COWCAP) credits exceeding costs.

- The resulting year-end GFC surplus is $122,223. The surplus is attributed mostly to salary savings from vacant positions, along with savings from developing and conducting training in-house with existing staff instead of through a contractor.

Clerk of the Board

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$1,003,550	$952,354	$916,381
Revenues	20,000	20,900	23,431
GFC (Exp. - Rev.)	983,550	931,454	892,950
GFC Final Budget versus Actual:		Surplus	90,600

- The Department ended the year with a GFC surplus of $90,600 largely due to salary savings from vacant positions, a decrease in publication notices, and lower-than-planned replacement of computer hardware and software.

Cooperative Extension Services

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$444,671	$462,589	$388,261
Revenues	43,403	43,403	0
GFC (Exp. - Rev.)	401,268	419,186	388,261
GFC Final Budget versus Actual:		Surplus	13,007

- The Department ended the year with a GFC surplus of $13,007 due to salary savings resulting from a retirement.
- The Department estimated $43,403 in revenue for its reimbursed programs from the University of California. No revenues were collected due to changing State budget priorities resulting in the Department absorbing costs within its GFC.

County Administrative Office - Departmental

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$2,255,640	$2,792,083	$1,813,819
Revenues	682,270	770,425	801,931
GFC (Exp. - Rev.)	1,573,370	2,021,658	1,011,888
GFC Final Budget versus Actual:		Surplus	561,482

- Business areas in the County Administrative Office include Finance and Administration, Budget and Analysis, Contracts/Purchasing, Fleet Management, Intergovernmental & Legislative Affairs, Office of Community Engagement & Strategic Advocacy, and Office of Emergency Services.
- Total expenditures at year-end were $441,821 below budget, primarily due to short-term vacancies in Budget and Analysis, Contracts and Purchasing, Fleet Administration, Intergovernmental and Legislative Affairs, and the Office of Emergency Services.
- Revenues were $119,661 above budgeted expectations due to sales of older-model vehicles in the fleet administration program and additional receipt of funds under the Victims of Crime Act.

County Administrative Office - Non-Departmental

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$77,305,528	$81,337,294	$70,156,467
Revenues	226,748,414	210,860,556	261,400,042
GFC (Exp. - Rev.)	(149,442,886)	(129,523,262)	(191,243,575)
GFC Final Budget versus Actual:		Surplus	41,800,689

- CAO non-departmental general fund units are countywide, non-operational functions including: the appropriation for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service, memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management program, and the County's non-program revenue.
- Overall year-end results were $41.8 million better than budget expectations. Much of this surplus is the result of one-time revenues and events. Significant factors driving the surplus include:
  - The County collected $14.6 million in cannabis revenue (under the prior tax structure) compared to commitments of $632,061, resulting in the addition of $13,983,762 to the cannabis fund balance assignment;
  - Natividad transferred $7.2 million to its portion of the strategic reserve.
  - The general fund received $3.8 million in disaster reimbursements from the state and federal government for the Soberanes fire and winter storm repairs;
  - The annual appropriation for contingencies ended the year with an unused balance of $3.2 million;
  - The County received $2.9 million in SB 90 (State mandated) reimbursements;
  - Taxes on secured property and transient occupancy tax (TOT) exceeded budget expectations by $2.3 million and $3.4 million, respectively; and
  - Rising interest rates increased investment income $1.2 million more than expected.

County Counsel

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$963,578	$585,540	($609,234)
Revenues	288,751	288,751	366,654
GFC (Exp. - Rev.)	674,827	296,789	(975,888)
GFC Final Budget versus Actual:		Surplus	1,650,715

- The Department ended FY 2017-18 with a surplus of $1,650,715 primarily due to unexpected salary savings from vacancies ($1.1 million), additional revenue ($77,903), increased departmental billings ($280,108) and unused appropriations resulting from suspended soil testing for Lake Nacimiento and San Antonio ($108,108).

District Attorney

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$25,271,110	$24,512,571	$24,688,490
Revenues	15,397,217	14,741,045	14,671,871
GFC (Exp. - Rev.)	9,873,893	9,771,526	10,016,619
GFC Final Budget versus Actual:		Deficit	(142,726)
Transferred to Restricted Fund Balance:			(459,800)
Revised Financial Result:		Deficit	-602,526

- Expenditures at year-end were $582,620 below budget due to unfilled positions in the civil unit. Revenues were $725,346 below budget due to lower than anticipated grant revenues. There is a technical adjustment of $459,800 for unused restricted revenues that were transferred to restricted fund balance for future use of real estate fraud operations. The resulting deficit is $602,526.

- The Department experienced significant revenue shortfalls in FY 2016-17 and FY 2015-16, and ended the years with deficits of $1.5 million and $1.7 million, respectively. In FY 2017-18, revenues were reduced to a more realistic level, however, revenues still came in under the revised estimate.
- The DA was budgeted to repay $750,000 to the general fund for expenditures that were meant to be covered by civil funds in FY 2015-16. The Department repaid $548,308 in FY 2017-18 and expects to reimburse the remaining $201,692 in FY 2018-19.
- During the FY 2018-19 budget development process, the DA and CAO worked together to develop more realistic revenue expectations and rebalanced expenditures to avoid repeating unplanned usage of GFC. The revenue-expenditure relationship will continue to be monitored and additional actions can occur to rebalance expenditures to revenue if deemed necessary.

Economic Development

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$4,125,718	$4,211,470	$4,012,779
Revenues	0	0	0
GFC (Exp. - Rev.)	4,125,718	4,211,470	4,012,779
GFC Final Budget versus Actual:		Surplus	112,939

- Economic Development budgeted $4.1 million in expenditures with a GFC of $4.1 million for FY 2017-18. Expenditures at year-end totaled $4.0 million. The Department recognized a positive GFC balance of $112,939, due to $100,000 not expended for the Salinas Valley Welcome Center and salary savings.

Elections

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$5,187,204	$4,654,747	$4,473,705
Revenues	757,871	656,405	914,004
GFC (Exp. - Rev.)	4,429,333	3,998,342	3,559,700
GFC Final Budget versus Actual:		Surplus	869,633

- FY 2017-18 actuals for Elections included $4.5 million in expenditures, $869,633 in revenue and a general fund contribution of $3.6 million. Year-end actual expenditures reflect an expenditure decrease of $713,499 and an increase of $156,133 in revenue, resulting in a year-end GFC surplus of $869,633.
- The budget was forecasted based on all potential contests going to ballot. However, in the November 2017 and June 2018 elections, not all districts had measures or candidates on the ballot, which resulted in expenditures savings of $909,239 in ballot printing services and $249,914 for temporary employees. These savings were partially offset by higher-than-planned costs for postage and voting equipment.
- Additional revenues of $156,133 were mostly attributed to federal Help America Vote Act grant funds which reimbursed associated costs, as well as candidate filing and statement fees.

Emergency Communications

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$12,003,232	$11,973,897	$11,653,190
Revenues	11,748,787	11,778,735	10,894,130
GFC (Exp. - Rev.)	254,445	195,162	759,060
GFC Final Budget versus Actual:		**Deficit**	(504,615)
Transferred to restricted Fund Balance:			135,335
Revised Financial Result:		**Deficit**	(639,950)

- Year-end expenditures were $11.6 million, or $365,320 below budget primarily due to lower data charges for NGEN operations and maintenance.
- The Department completed the Computer Aided Dispatch (CAD) project, incurring expenditures of $400,000 during FY 2017-18, financed by restricted funds.
- Year-end revenues were $10.9 million or $854,657 below the budget. The Department had $1.8 million in accrued revenues that were not received within the 60 days after year-end and thus were not included in the FY 2017-18 results; however, the Department has received the entire $1.8 million as of this writing.
- The Department recognized $845,506 in restricted revenue to cover repayment of prior use of general fund dollars for NGEN expenditures that were erroneously posted to the general fund in FY 2015-16. Additionally, the Department collected $442,572 in reimbursements from agencies for dispatch services that were underbilled in prior years.
- The Department transferred $135,335 of unspent restricted revenue to restricted fund balance. The resulting GFC deficit of $639,950 is primarily due to timing of the collection of accrued revenues.

Health

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$99,396,045	$84,389,977	$81,501,886
Revenues	89,963,337	74,812,969	91,526,554
GFC (Exp. - Rev.)	9,432,708	9,577,008	(10,024,668)
GFC Final Budget versus Actual:		**Surplus**	19,457,376
Transferred to Restricted Fund Balance:			(19,369,577)
Adjusted Final Result:		**Surplus**	87,799

- Actual expenditures were $17.9 million below budget due primarily to a vacancy rate of 17.7% generating $12.9 million in savings. Vacancies were pronounced in Primary Care Clinics with a vacancy rate of 24.1% resulting in $9.0 million in unused appropriations due to initial ramp up in the newly expanded clinics in Laurel and Seaside. The vacancy rate in other areas of the Department was 10.9% resulting in unused appropriations of $3.8 million as the Department strategically maintained vacancies in response the AB 85 revenue redirection from the State and the impending implementation of the Whole Child Model (WCM) which transferred some California Children's Services (CCS) responsibilities from the County to the local Medi-Cal managed care plan.
- Year-end revenue was $91.5 million, $1.5 million higher than budgeted. However, revenue was overstated by $18.9 million due to the recognition of an additional $19.0 million in restricted revenue and a $385,824 processing correction. Excluding restricted revenue, revenues were lower than the budget due to vacancies of revenue generating positions, primarily in the Seaside and Laurel Primary Care clinics and Public Health.
- Overall, Health ended the year in a surplus of $19.5 million, of which $19.4 is departmental restricted revenue, resulting in a net GFC surplus of $87,799.

Human Resources

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$1,657,445	$1,267,560	$1,311,563
Revenues	0	0	15
GFC (Exp. - Rev.)	1,657,445	1,267,560	1,311,548
GFC Final Budget versus Actual:		Surplus	345,897

- The Human Resources Department ended the year with a surplus of $345,897 due to savings in salary and benefit costs. The Department had difficulty in filling one position, which was vacant during the whole year, and vacancies throughout the year.

Information Technology

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$14,764,295	$15,274,755	$14,301,567
Revenues	1,110,347	1,410,397	4,990,431
GFC (Exp. - Rev.)	13,653,948	13,864,358	9,311,136
GFC Final Budget versus Actual:		Surplus	4,342,812
Transferred to Restricted Fund Balance:			(4,044,216)
Transferred to Assigned Fund Balance:			(298,347)
Adjusted Final Result:		Surplus	249

- Actual expenditures of $14.3 million were derived from $25.6 million of operational charges, a Countywide Cost Plan (COWCAP) allocation charge of $2.3 million, and internal County customer off-setting income of $13.6 million.
- Actual revenue was $5.0 million was higher than budget by $3.9 million due to recognition of $4.0 million in restricted Public, Educational, and Government (PEG) fees, transferred to restricted fund balance. Higher than budgeted revenues were coupled with lower than budgeted expenditures of $462,728 from lower than expected capital infrastructure costs, resulting in a year-end GFC surplus of $298,596.
- $298,347 of the surplus funds have been assigned to fund balance to cover future ITD capital improvement projects, leaving an adjusted surplus of $249.

Probation

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$48,562,216	$48,562,216	$45,498,527
Revenues	24,323,647	24,210,984	21,321,703
GFC (Exp. - Rev.)	24,238,569	24,351,232	24,176,824
GFC Final Budget versus Actual:		Surplus	61,745

- Actual expenditures were $3.1 million below budget, of which $2.1 million was related to expenditures that were budgeted but not realized for grant and State programs, $746,269 attributed to savings associated with the Department's management of vacancies along with containment of overtime and $256,822 from cost savings in institutional supplies.
- Actual revenue was $3.0 million below budget, mainly due to lower than expected reimbursable expenditures related to staffing and services for budgeted grant and State programs, the reduction of the candidate eligibility rate for the Federal Title IV-E program and the State repeal of juvenile justice administrative fees.

Public Defender

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$12,907,664	$13,392,881	$12,774,704
Revenues	862,496	758,812	720,066
GFC (Exp. - Rev.)	12,045,168	12,634,069	12,054,638
GFC Final Budget versus Actual:		Deficit	(9,470)

- The Department ended FY 2017-18 with $132,960 in unused appropriations less expenditures than budgeted and $142,430 less revenue collected than budgeted, resulting in a deficit of $9,470.
- An accrual of approximately $190,000 of State revenues for the cost of prison cases was earned but not collected in time for the close FY 2017-18.

Resource Management Agency

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$28,250,693	$21,373,574	$25,326,854
Revenues	12,528,574	13,377,766	12,099,713
GFC (Exp. - Rev.)	15,722,119	7,995,808	13,227,141
GFC Final Budget versus Actual:		Surplus	2,494,978

- Actual expenditures were $29.8 million, but were offset by a County Wide Cost Allocation (COWCAP) credit of $4.5 million, for a net expenditure of $25.3 million.
- Actual expenditures were $3.0 million below budget, primarily due to vacancies.
- Actual revenues were $0.4 million below budget, primarily due to lower parks and recreational revenues, deferred grant funds, and delays in construction projects.
- The Department ended with a GFC surplus of $2.5 million.

Sheriff-Coroner

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$103,950,263	$106,047,498	$103,002,156
Revenues	37,772,047	37,689,444	37,073,310
GFC (Exp. - Rev.)	66,178,216	68,358,054	65,928,846
GFC Final Budget versus Actual:		Surplus	249,370
Transferred to Restricted Fund Balance:			5,075
GFC Final Budget versus Actual:		Surplus	244,295

- Year-end expenditures totaled $103.0 million, $1.0 million lower than budget. Much of the unused appropriations was attributable to vacancies and delayed billings from medical service providers. An area of continued over-expenditure was overtime, which exceeded budget by $2.6 million.
- The Sheriff-Coroner's year-end revenue was $703,812 below budget attributed to lower expenditures in reimbursable programs such as court security service, inmate welfare program, and AB 109 program expenditures.
- The Department used $271,036 of restricted general fund balance for designated purposes such as undercover and special purpose vehicles and technology-related equipment.
- The Department transferred $5,075 of unused restricted revenue to restricted fund balance.
- As a result of aforementioned reasons, the Sheriff-Coroner ended the fiscal year with a GFC surplus of $244,295.

Social Services

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$200,248,463	$196,808,508	$186,571,449
Revenues	187,164,189	183,568,375	173,507,299
GFC (Exp. - Rev.)	13,084,274	13,240,133	13,064,150
GFC Final Budget versus Actual:		Surplus	20,124

- Year-end expenditures totaled $186.6 million, which were $13.6 million below budget and $10.2 million less than estimate. Reduced expenditures were due to a decrease in client aid within the Department's entitlement programs, namely CalWORKs and Out of Home Care, and unused appropriations attributed to prolonged staff vacancies due to hiring challenges and the hiring freeze.
- Year-end revenues were $173.5 million, which were $13.7 million below budget and $10.1 million less than estimate, which correlates with the reduction of expenditures due to the Social Services reimbursement structure.
- The Department recognized a positive GFC balance of $20,124 due to savings from extending the homeless warming shelter at its current location instead of demolishing the building as was originally budgeted.

Treasurer-Tax Collector

	Final Budget	Year-End Estimate	2017-18 Actual
Expenditures	$7,974,534	$7,331,768	$6,997,213
Revenues	6,474,336	5,998,287	5,452,340
GFC (Exp. - Rev.)	1,500,198	1,333,481	1,544,873
GFC Final Budget versus Actual:		Deficit	(44,675)

- Actual year-end expenditures total $7.0 million, underspending appropriations by nearly $1.0 million. The reduction in expenditures primarily results from a combination of vacancies and delays in new recruitments.
- Year-end revenue of $5.5 million was $1.0 million below budget due to the lower level of reimbursable expenditures.
- The GFC deficit of $44,675 is a reporting error in offsetting revenue to the Treasury from portfolio participants. The year-end total is understated by $83,728. Recognition of actual revenue would result in a GFC savings of $39,053. The Auditor-Controller is working with the Department to credit this unrecognized balance to the Treasury during FY 2018-19.

OTHER FUNDS

Road Fund (002)

	Final Budget	Year-End Estimate	2017-18 Actual
Beginning Fund Balance	(2,707,005)	(2,707,005)	(2,707,005)
Revenue	47,540,485	56,209,767	46,712,992
Total Financing Sources	**$44,833,480**	**$53,502,762**	**$44,005,987**
Expenditures	46,635,927	58,257,563	33,992,245
Total Financing Uses	**$46,635,927**	**$58,257,563**	**$33,992,245**
Ending Fund Balance	**($1,802,447)**	**($4,754,801)**	**$10,093,299**

- 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 Road Fund began FY 2017-18 with a negative $2.7 million fund balance. The budget was based on $46.6 million in expenditures, offset with $47.5 million in revenues, for a projected ending fund balance of negative $1.8 million.
- The Road Fund ended FY 2017-18 with revenues of $46.7 million, which fell short of the final budget by $827,493. The result is a combination of a decrease in federal and state funded road projects, offset with an increase in formula-driven Measure X and SB 1 Road Maintenance and Rehabilitation funds.
- Total expenditures were $33.9 million, which is $12.7 million less than budgeted. Actuals were less than budget primarily due to scheduled capital road projects deferred to prioritize winter storm repair projects.
- Based on FY 2017-18 performance, the Road fund is projected to end with a positive $10.1 million balance. This is largely attributable to the Road Fund's two new revenue streams, Measure X and SB 1. Projects identified to use these new funds were deferred, again as the winter storm repairs took priority.

Monterey County Free Library (Fund 003)

	Final Budget	Year-End Estimate	2017-18 Actual
Beginning Fund Balance	$150,017	$150,017	150,017
Revenue	8,796,463	8,796,464	9,269,286
Total Financing Sources	**$8,946,480**	**$8,946,481**	**$9,419,303**
Expenditures	8,945,657	8,945,657	8,407,365
Total Financing Uses	**$8,945,657**	**$8,945,657**	**$8,407,365**
Ending Fund Balance	**$824**	**$824**	**$1,011,939**

- Monterey County Free Libraries' (MCFL) FY 2017-18 actuals included $8.4 million in expenditures and $9.3 million in revenue.
- Expenditures were $538,292 below budget primarily due to staffing vacancies, deferred building improvements, and conservative management of discretionary expenditures such as office supplies and conferences.
- Year-end revenue exceeded budget expectations by $472,823 due to strong growth in property taxes and efforts by staff in soliciting donations and grants from the Foundation for Monterey County Free Libraries, various Friends of Library groups, and other organizations.
- The MCFL ended the year with a net gain of $861,922, resulting in a final fund balance of $1.1 million

Behavioral Health Fund (Fund 023)

	Final Budget	Year-End Estimate	2017-18 Actual
Beginning Fund Balance	$35,843,145	$35,843,145	$32,825,508
Revenue	115,811,703	107,418,239	118,978,740
Total Financing Sources	**151,654,848**	**143,261,384**	**151,804,248**
Expenditures	115,811,703	107,703,148	109,722,531
Total Financing Uses	**$115,811,703**	**$107,703,148**	**109,722,531**
Ending Fund Balance	**$35,843,145**	**$35,558,236**	**42,081,717**

- Behavioral Health Fund expenditures were $6.1 million below budget mainly due to $5.6 million in savings from vacancies (11.9% vacancy rate).
- Actual revenue was $3.2 million higher than budgeted expectations primarily due to higher Mental Health Services Act (MHSA) revenues and favorable Medi-Cal reimbursements. The No Place Like Home program was expected to reduce MHSA revenue but due to legal challenges at the State level no reduction occurred.
- Due to higher revenues and lower expenditures, the fund added $9.3 million to its fund balance resulting in an ending balance of $42.1 million.

Parks - Lakes Resorts (Fund 452)

	Final Budget	Year-End Estimate	2017-18 Actual
Beginning Fund Balance	($5,465,290)	($5,465,290)	($5,465,290)
Revenue	4,599,294	5,004,486	6,841,733
Total Financing Sources	**$4,599,294**	**$5,004,486**	**$6,841,733**
Expenditures	4,598,787	5,889,595	7,505,338
Total Financing Uses	**$4,598,787**	**$5,889,595**	**$7,505,668**
Change in Fund Balance	$507	($885,109)	($663,935)
Ending Fund Balance	**($5,464,783)**	**($6,350,399)**	**($6,129,225)**

- The Parks Lake and Resort Operations Fund is a County enterprise fund. An enterprise fund establishes a separate accounting and financial reporting mechanism, comparable to the private-sector, to report activity for which fees are charged in exchange for goods or services. Enterprise accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.
- The FY 2017-18 budget included $4.6 million in expenses, derived from $1.5 million in salary and benefits, $2.4 million in service and supplies, $392,526 in depreciation, and $293,901 in long-term debt interest and taxes and assessments. Expenditures were budgeted to be offset with $4.6 million in revenue with $3.9 million coming from operations and $711,240 from a general fund subsidy to cover the annual debt service payment. Actual revenues totaled $6.8 million, surpassing the $4.6 million budget by $2.2 million. The increase in revenue is attributable to increased visitors at the Lakes during the summer months, as the water levels were sufficient to support recreational use.
- The budgeted expenditures were $4.6 million but actual cost were $7.5 million, a $2.9 million overage, largely because of greater than anticipated expenses by CalParks as a result of increased visitors compared to previous years. Per the current management agreement, the County also paid a portion of revenue generated at the Lakes to CalParks. Additional costs resulted from deferred maintenance and repairs for buildings, clean-up of the grounds, repairs and maintenance of the sewer and water systems, and fleet charges and vehicle maintenance. As a result of the fund's expenditures exceeding revenues, the fund relied on a subsidy of $2.2 million in FY 2018-19 to fund the operating deficit, funded by general fund contingencies.
- Although revenue was higher than budget, expenditures outpaced revenue by $663,935. Overall, the Parks Lake and Resort Operations fund balance is estimated to decrease by $663,935, further increasing the negative position of the fund. The RMA is developing a business plan to address the operating deficiencies at the lake resorts.

Natividad Medical Center (Fund 451)

	Final Budget	Year-End Estimate	2017-18 Actual
Beginning Fund Balance	73,825,334	73,825,334	73,825,334
Revenue	293,035,006	313,535,930	309,746,076
Total Financing Sources	**$366,860,340**	**$387,361,264**	**$383,571,410**
Expenditures	282,940,864	344,287,781	330,234,409
Total Financing Uses	**$282,940,864**	**$344,287,781**	**$330,234,409**
Change in Net Assets	$10,094,142	($30,751,851)	($20,488,333)
Ending Fund Balance	**$83,919,476**	**$43,073,483**	**$53,337,001**

The figures in the above grid are reported on a cash basis.

- The primary driver for revenue is patient (inpatient and outpatient) volumes and the type of payments received for services rendered.
- Actual revenues were $309.7 million, exceeding budget by $16.7 million or 5.7% as a result of increased volume in patient services and a favorable payor mix. In addition, NMC received funds which exceeded preliminary estimates for supplemental Medi-Cal payments to public hospitals.

- Actual expenditures were $330.2 million, an unfavorable variance of $47.3 million or 16.7%. The main drivers of increased expenses were in staffing resulting from high acuity and premium pay for increased volume. Included in actual expenditures was a $59.9 million transfer to a capital fund to meet anticipated capital expenditures for upgrades in patient care areas, clinical equipment replacement and required information technology programs. The adopted budget did not budget the transfer. Additionally, $7.2 million was transferred to the Natividad strategic reserve in the General Fund.
- Net position is estimated to decrease by $20.5 million due to funds transferred to the general fund and the capital fund for future use.