
County Administrative Officer's Message

The County Administrative Office is pleased to present the *Fiscal Year (FY) 2019-20 Recommended Budget*. The recommended spending plan for the County of Monterey allocates resources consistent with your Board's priorities and policies. The budget maintains status quo operations across County services and makes strategic investments in our communities within the framework of prudent financial management.

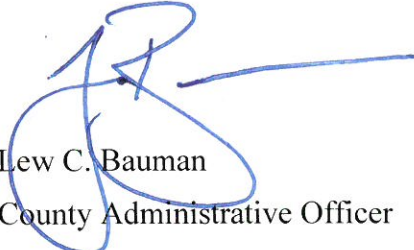
The Recommended Budget proposes a balanced \$1.5 billion spending plan, an increase of \$25.8 million (1.7%) over the current year adopted budget and supports a workforce of 5,359 employees. Under your Board's leadership, the County reserved prior year operating surpluses for important future needs. The Recommended Budget includes use of \$29.6 million in reserves for capital projects, health and public safety realignment programs, and other appropriate one-time expenses.

The County continues to face fiscal pressures that consume revenue growth including rising pension contributions, health care premium increases, and higher general liability insurance costs. These and other pressures require \$9.1 million in augmentations to County departments, consuming most of next year's estimated discretionary revenue growth, to sustain current staffing and operations. This spending plan also adds 60 new staff and \$4.3 million to expand vital programs in public safety, early childhood education, prevention, and homeless services. Examples include funding 23 positions to protect the safety of inmates and employees in the expanded jail, 12 new staff for health programs supported by fee revenue, contributions to First 5 Monterey County/Bright Beginnings programs serving young children, permanent funding to support current homeless services, an additional position bolstering the Military and Veterans' Affairs Office, and new staff to support the cannabis program. In addition, next year's budget continues information technology infrastructure projects that promote operational continuity and efficiencies.

Public Budget Hearings commence on June 3, 2019, where staff will present an overview of the spending plan and needs that remain unfunded due to resource limitations. Your Board will also hear presentations from Department Heads and receive input from individuals and organizations within the community. During the hearing, your Board may make additions, deletions or modifications to the recommended spending plan.

I want to thank your Board for its leadership and responsible financial oversight that has made it possible to shore up reserves in the past and prepare for the future. I also thank Department Heads for their leadership in navigating an increasingly challenging fiscal environment and our employees who continue providing exceptional services to our community.

The following budget overview provides your Board and the public a summary of the County's spending plan for next fiscal year.



Lew C. Bauman
County Administrative Officer

Budget Overview

Current Financial Condition

County staff projects positive revenue trends to continue into next fiscal year given current economic conditions. Property assessments remain strong and are the primary driver in discretionary revenue growth. While the economy is doing well, the risk of recession is real. The current economic expansion is the longest in US modern history, lasting 118 months thus far, or nearly 10 years.

In March, staff presented the Forecast which revealed an estimated \$14.1 million deficit next fiscal year to continue existing operations. The Forecast projected discretionary revenue growth of \$11.4 million next year due to favorable property tax collections. However, despite a continued positive economic outlook, the County faces cost pressures to continue current service level operations. The primary factors contributing to the baseline deficit include inflationary pressures such as rising pension contributions and health insurance premiums, higher costs to run internal service fund programs such as the workers' compensation and general liability programs, and increased formula-driven contributions to outside agencies or other funds. The deficit did not include future wage increases pending negotiated labor agreements, nor did it include other emerging unfunded costs such as additional staffing needed for the jail expansion, deferred maintenance and capital improvements at the Lakes, or repairs to South County dams.

Since the Forecast was presented, staff has continued to refine revenue projections for next fiscal year and work with departments to find solutions for anticipated budgetary impacts. The Recommended Budget seeks to maintain current service level operations and expand services in the highest priority initiatives for the County, such as prevention programs, early childhood education, and public safety. This Recommended Budget implements solutions described later in the report that support \$15.5 million in augmentations and save 61.5 positions (including 56 filled positions). However, many needs remain unfunded due to fiscal constraints.

Recommended Budget – All Funds

The Recommended Budget for all funds, departments and programs totals \$1.5 billion next fiscal year. The Recommended Budget includes 5,359 authorized positions. Significant changes since adoption of the FY 2018-19 budget include:

- **Appropriations increase \$25.8 million.** Rising cost pressures and expansion of services require appropriation increases of \$10.5 million in the general fund, \$17.7 million in the road fund, \$7.7 million for Natividad Medical Center (NMC), \$21.5 million in behavioral health, and \$7.7 million in realignment funds for health, welfare, and public safety programs. Appropriations for capital project funds on the other hand decrease significantly (\$53 million) over the current year adopted budget due to the expected completion of the jail expansion next fiscal year as well as the completion of other projects such as the East-West Wing building, NGEN project, and jail security improvements in the current year.
- **Revenue increases \$56.6 million.** Major revenue increases include \$11.1 million in the general fund, \$22.0 million in the road fund due to improvement in Measure X and SB1 revenue, \$23.9 million in NMC, and \$20.4 million in behavioral health due to reimbursements from State and federal agencies for expanded mental health programs. Realignment funds for public safety, health, and social services programs also experience growth in revenue due to continued positive sales tax collection

by the State. Offsetting these revenue increases is significantly lower revenue in capital project funds next fiscal year due to the expected completion of major capital projects.

- **Rising labor costs.** Next fiscal year, salary and benefit costs for the County's workforce totals \$710.7 million, a \$44.4 million increase over the adopted budget. The Recommended Budget does not include wage increases for most bargaining units, whose agreements expire in the current year. NMC accounts for the largest increase (\$15.2 million) due to added staff and authorized wage increase for nurses who belong to one of the few bargaining units with agreements extending into next fiscal year. Other rising costs include pension contributions and health insurance premiums, increasing \$9.2 million and \$8.2 million, respectively, over the current year adopted budget (all funds). The Recommended Budget also reflects an increase of 120 positions from the current year adopted budget, with most of the increase in behavioral health and NMC, supported with program revenue. Of the 120 additional positions, 60 were added during the current fiscal year and another 60 are included in the Recommended Budget as augmentations.

All Funds	2017-18 Actual	2018-19 Adopted	2019-20 Recommended
Expenditures			
Salaries & Benefits	\$ 627.0	\$ 666.3	\$ 710.7
Services & Supplies	379.1	361.9	395.2
Other Charges	126.9	119.9	126.4
Fixed Assets	109.4	134.1	67.3
Op. Transfers Out / Other Financing	348.0	230.0	238.6
Extraordinary Items	-	2.4	0.2
Contingencies	-	4.7	6.7
Total Expenditures	\$ 1,590.4	\$ 1,519.2	\$ 1,545.0
Revenues			
Taxes	\$ 229.8	\$ 224.0	\$ 238.2
Licenses, Permits & Franchises	22.2	24.1	22.9
Fines, Forfeitures & Penalties	9.7	10.9	11.3
State & Federal Aid	614.2	550.8	578.5
Charges for Current Services	430.9	377.1	402.5
Other Revenues	412.5	271.8	262.0
Total Revenues	\$ 1,719.3	\$ 1,458.8	\$ 1,515.4
Use of Fund Balance	\$ (128.8)	\$ 60.5	\$ 29.6
FTE Positions	5,316.9	5,238.6	5,358.5

*Numbers may not add up due to rounding.

- **Recommended use of fund balance is \$29.6 million for planned, one-time needs.** Of this amount, \$17.6 million is for one-time expenses in the general fund. The remaining (non-general fund) fund balance is primarily for capital projects and to meet State-County Realignment commitments for public safety, health, and social services programs.
- **Infrastructure replacement.** The Recommended Budget provides \$50.9 million in appropriations to continue capital projects such as the new juvenile hall, jail expansion project, and the radiology modernization project at NMC.
- **Future Enterprise Resource Planning (ERP) system upgrade.** The Recommended Budget includes \$4.0 million to begin reserving funds for the next system upgrade. The goal is to reserve funding over the next five years to ease budgetary impacts to departments when the County is faced with an upgrade, rather than recuperate the entire cost as it comes due in the year of implementation.

Recommended Budget – General Fund

The general fund supports a workforce of 3,352 authorized positions, a reduction of 44 positions from the current year adopted budget. In reality the general fund gained a total of 56 new positions; however, there is a transfer of 75 positions as the Emergency Communications Department has moved its operation

to a special revenue fund. Additionally, Social Services reduced positions due to loss of funding related to adult and dislocated worker programs and Health eliminated long-term vacancies in the clinics.

The general fund supports 21 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. Following is an overview of the general fund budget:

- **Appropriations for the general fund total \$687.6 million next fiscal year, an increase of \$10.5 million over the current year adopted budget.** Major cost drivers include employee pension, health insurance, and general liability costs. In addition to these countywide cost drivers, social services programs experience cost increases such as the approved wage increase for In-Home Supportive Services (IHSS) providers and increased cost for out of home care. Next year, the Emergency Communications Department will transition operations from the general fund to its own separate fund resulting in a reduction to appropriations of \$11 million in the general fund. Another factor reducing appropriations is a \$4.5 million increase over the current year adopted budget in cost plan recoveries from other funds which are treated as negative expenditures rather than revenue.

General Fund	2017-18 Actual	2018-19 Adopted	2019-20 Recommended
Expenditures			
Salaries & Benefits	\$ 381.9	\$ 422.8	\$ 429.9
Services & Supplies	158.1	162.1	161.5
Other Charges	23.3	38.6	48.4
Fixed Assets	14.3	3.0	7.4
Op. Transfers Out	50.1	43.6	33.5
Extraordinary Items	-	2.4	0.2
Contingencies	-	4.7	6.7
Total Expenditures	\$ 627.6	\$ 677.1	\$ 687.6
Revenues			
Taxes	\$ 210.5	\$ 200.3	\$ 215.8
Licenses, Permits & Franchises	26.1	24.0	21.9
Fines, Forfeitures & Penalties	8.8	8.5	8.9
State & Federal Aid	195.6	204.0	209.6
Charges for Current Services	85.7	81.9	75.3
Other Revenues	133.1	140.2	138.5
Total Revenues	\$ 659.9	\$ 658.9	\$ 670.0
Use of Fund Balance	\$ (32.3)	\$ 18.2	\$ 17.6
FTE Positions	3,473.6	3,395.7	3,351.7

*Numbers may not add up due to rounding.

- **Revenue increases \$11.1 million over the current year adopted budget.** Ongoing discretionary revenue increases \$13.6 million, primarily due to continued improvement in property taxes and transient occupancy taxes (TOT). The increase in discretionary revenue is partially offset by reductions in program revenue generated directly by departments.
- **Includes estimated cannabis revenue to support cannabis program expenditures and recommended augmentations.** The cannabis tax revenue is a fairly new revenue source that is tracked separately. Program staff estimates \$11.3 million in cannabis tax revenue for the current year. However, this revenue source is considered volatile due to the changing industry and regulatory environment. The Recommended Budget includes \$5.2 million in ongoing cannabis revenue to support an existing 19.5 positions as well as other program expenditures across nine departments and 7.0 position augmentations included in the Recommended Budget. Revenue collected in excess of budgeted amounts will be placed in the cannabis assignment.

- **Community programs funded with one-time cannabis funds.** The Recommended Budget includes release of \$926,466 from the cannabis assignment to fund important programs that align with community feedback including early childhood programs, library books, and homeless services.
- **Uses \$17.6 million in fund balance to cover planned capital expenditures and other one-time needs.** Due to positive prior year results, the County reserved funds for the annual contingencies appropriation. The Recommended Budget utilizes this reserve of \$6.7 million to fund next year's appropriation for contingencies, allowing next year's discretionary revenue growth to be targeted to sustain County programs. The Health Department is utilizing \$4.6 million of restricted fund balance to cover a liability payment to the State related to the true-up of payments received and services rendered in health clinics and for expenditures in environmental health programs. Furthermore, the budget includes planned use of \$1.5 million of unassigned fund balance from prior years to cover one-time needs such as information technology (IT) infrastructure, the Salinas Valley Groundwater Basin investigation and the Pajaro and Boronda community service district (CSD) Proposition 218 rate increases. The remaining assigned fund balance use is primarily for Laguna Seca improvements.
- **Provides funding to the road fund to support road maintenance.** In agreement with Board policy, the Recommended Budget includes a contribution of \$6.2 million to the road fund, an increase of \$920,503, derived from TOT revenue.
- **Includes funding for external agencies that support public safety and promote tourism, arts, and economic development.** Based on current policy, the Recommended Budget includes \$2.3 million to Development Set-Aside agencies, an increase of \$328,643, to stimulate tourism in the County. The budget also includes discretionary contributions of Proposition 172 funds (Public Safety Sales Tax) of \$3.1 million to support fire agencies and \$1.7 million to user agencies to incentivize participation in the consolidated 9-1-1 dispatch center, a combined increase of \$259,399.

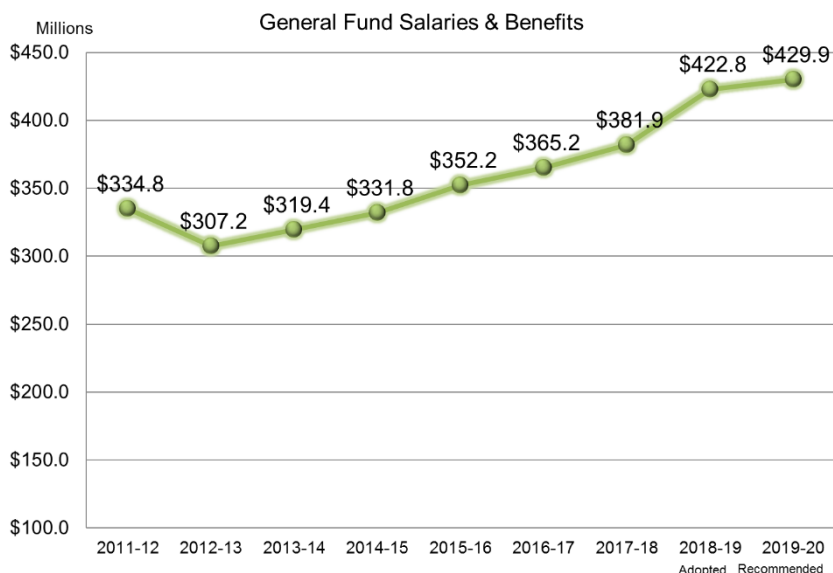
Fiscal Pressures Shaping the General Fund Budget

Despite the positive economy, annual revenue growth has been consumed by rising cost pressures centered on growing employee compensation and benefits cost, making it difficult to add new programs.

Bargaining agreements and growing workforce. FY 2018-19 is the third and final year of agreements and most miscellaneous and safety units received a 3.0% wage increase. It is estimated that the three-year wage increases had a cumulative growth of \$21.6 million, independent of position growth.

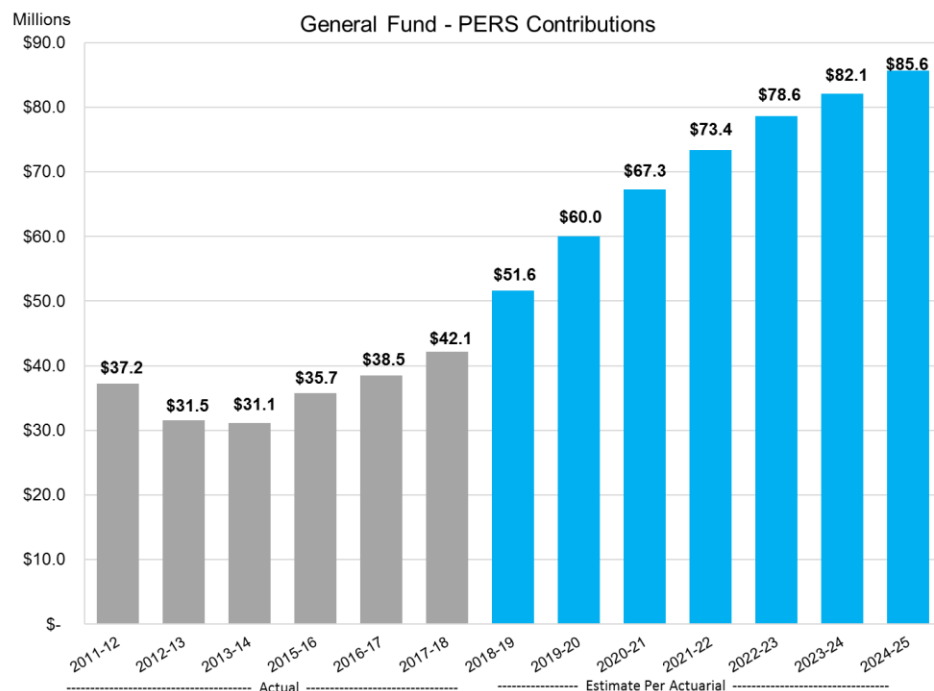
The Recommended Budget does not include unknown provisions of future labor agreements. The impact of wages and benefits continues to magnify over the years, as prior year wage increases, rising pension costs, and health insurance premium hikes

accumulate. Additionally, the County has added staff to its workforce which also contributes to the growth in salaries and benefits. Employee salaries and benefits are the County's largest cost,



representing 62.5% of the general fund budget. The cost has grown from \$319.4 million in FY 2013-14 to \$429.9 million in FY 2019-20, an increase of \$110.5 million over the last six fiscal years. Over the same period, authorized positions in the general fund grew by 151. The FY 2019-20 recommended salaries and benefits increase \$7.1 million over the general fund adopted budget; however, the increase excludes Emergency Communications, which is in a separate fund next year. To accurately compare to the current year adopted budget, the increase is \$16.6 million when accounting for the transfer of Emergency Communications.

Employer contributions continue to increase. Pension contributions are a primary cost driver for most local government agencies in California. Contributions to the CalPERS pension fund will continue to increase significantly over the next five years due to changes in CalPERS' actuarial methodology and funding policies. Significant changes include lowering the discount rate to reflect CalPERS' expected return on investments, updating demographic assumptions that show retirees live longer and require higher lifetime payout of benefits, and accelerating payment of unfunded liabilities by changing amortization policies.

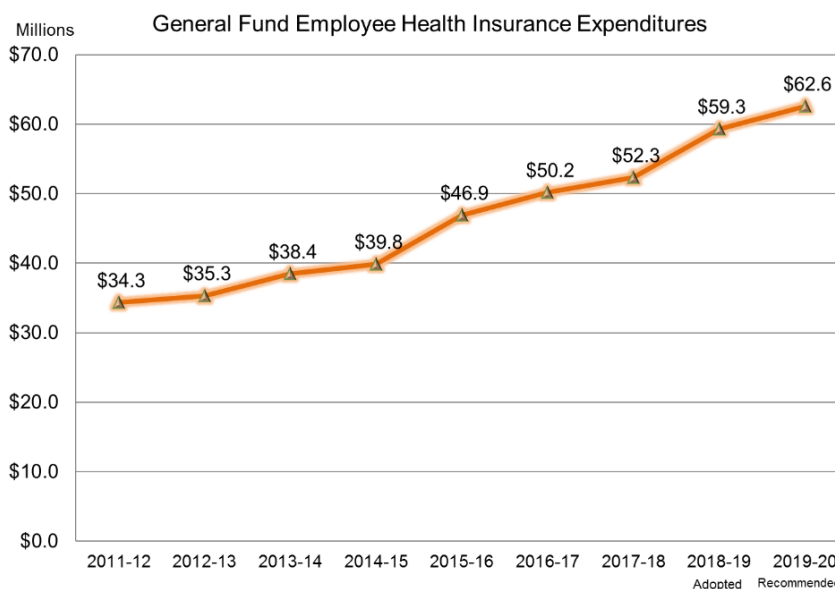


The projections in the chart are based on CalPERS actuarial valuations, which are built on actual payroll data obtained by CalPERS, therefore, based on existing staffing levels. These estimates are based on current pension plans and assumptions and assume no gains or losses to the current portfolio. Changes in any of the preceding matters will impact required contributions. The Recommended Budget includes funding for required employer contributions, of which an estimated \$43.6 million (all funds) is to paydown the County's unfunded pension liability of \$627.6 million.

Pension cost does not only impact the County, but employees also. Over the years, because of ongoing fiscal pressures and pension reform, employees also contribute to the CalPERS pension fund. Next year, based on actuarial information, employees contribute an estimated \$30.7 million into the miscellaneous and safety pension plans (all funds), of which \$21.8 million is projected for the general fund. Considering employer and employee contributions, an estimated \$81.8 million from the general fund (\$103.9 million all funds), will go toward employee pension next year.

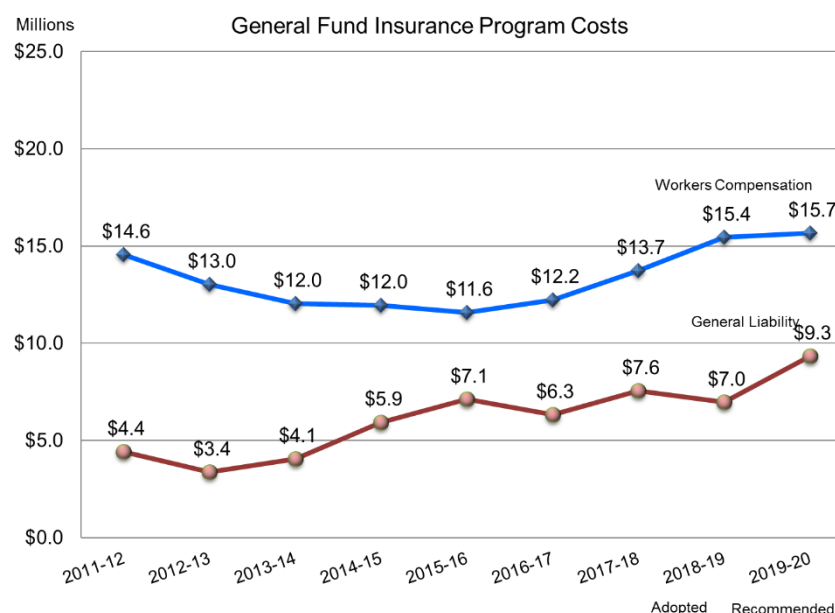
Escalating health insurance premiums contribute to the County's fiscal pressures. Health insurance premium increases have been absorbed by the County, protecting this valuable benefit for employees. Over the last six fiscal years, healthcare costs increased \$24.2 million in the general fund.

The County saw a 21% rise in premiums in January 2016, which can be seen in the trend chart, reflecting increases in FY 2015-16 and FY 2016-17. Premiums increased 6.5% in January 2019. The Human Resources Department anticipates 8% growth beginning January 2020 based on historical experience. Furthermore, CalPERS adoption of a new “three-region pricing” model, which will more closely align premiums to the cost of care in the area, could increase rates above the 8% projection effective January 1, 2020.



Higher insurance program costs.

General liability program costs increase \$2.3 million in the general fund. The increase is for non-recoverable costs, which are expected to continue to increase beyond next fiscal year due to unfunded liabilities associated with legal settlements. Charges to departments for these insurance programs are based on actuarially determined amounts for legal settlements. Charges for workers' compensation increase by \$215,450 in the general fund. Both workers' compensation and the general liability insurance programs are based on a 70% confidence level.



Other Significant Issues Affecting the General Fund

In addition to ongoing inflationary cost pressures, the County faces other issues that place financial pressure on the general fund, including:

Opening the jail housing addition. The County undertook a project to add 576 beds to the jail, which is anticipated to be completed in October 2019. The Sheriff's Office plans to redirect staff from areas that will be vacated from the existing jail; however, additional staffing is required to operate the expanded jail and meet statutory, regulatory, and legal requirements. The Recommended Budget contains \$2.0 million for 23 new positions, including six deputies (added without funding in the current

year) and 17 custody and control specialists to operate additional control centers in the jail, partially funded based on the expected opening of the jail addition.

State redirection of AB 85 Realignment monies. AB 85 was implemented in 2013 to capture savings under the Affordable Care Act (ACA) related to indigent medical care and redirect county “savings” to social services programs. Last fiscal year, the reduced funding impacted programs such as the Whole Person Care pilot program, the Maternal, Child, and Adolescent Health (MCAH) program, communicable disease program, targeted case management, and laboratory services. The Sheriff’s Office also received reduced Health Realignment funds, impacting the inmate medical program. Both the Health Department and the Sheriff’s Office covered the gap last fiscal year with one-time funds, including \$1.0 million in contingency funds for the Health Department. The Recommended Budget continues to support these vital programs through use of realignment funds for the Health Department and AB109 funding for the Sheriff’s Office. The portion funded with one-time contingency funds in the current year is funded with ongoing discretionary revenue next fiscal year.

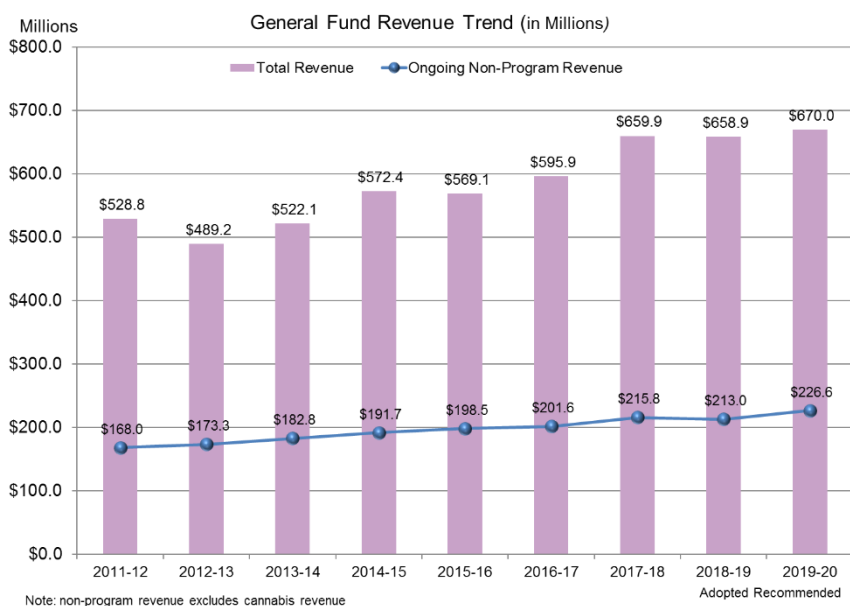
Increased In-Home Supportive Services (IHSS) Maintenance of Effort (MOE). The Recommended Budget includes augmented funding of \$1.0 million, based upon negotiated wage increases for IHSS workers and rebasing the County’s MOE.

Future replacement of ERP system. The Recommended Budget includes charges of \$2.6 million to general fund departments to start saving for the future ERP system upgrade.

Countywide Cost Allocation Plan (cost plan). The cost plan allocates costs from service departments to operating departments. The cost plan allocation charges to operating departments and credits to service departments fluctuate from year to year like other cost pressures or revenues. The general fund benefits through recovery of indirect costs from other funds and grantors. Consistent with departmental feedback, general fund departments’ General Fund Contribution (GFC) allocations were redistributed to make the updated COWCAP charges and credits a budget-neutral event.

General Fund Revenue

The primary driver in discretionary revenue growth continues to be property taxes due to higher home value assessments, which are projected to increase 5.0% next fiscal year. Discretionary revenue grows \$13.6 million next year, or a 6.4% increase over the adopted budget, primarily due to improvement in property assessments, transient occupancy tax, and sales and use tax. This reflects a \$2.2 million improvement over preliminary figures reported in the April 2019 budget workshop and reflect the latest property tax estimates from the Assessor’s



Office. In addition to discretionary revenue, departments generate program revenue specific to the services they provide. Program revenue accounts for nearly two-thirds of the general fund revenue and

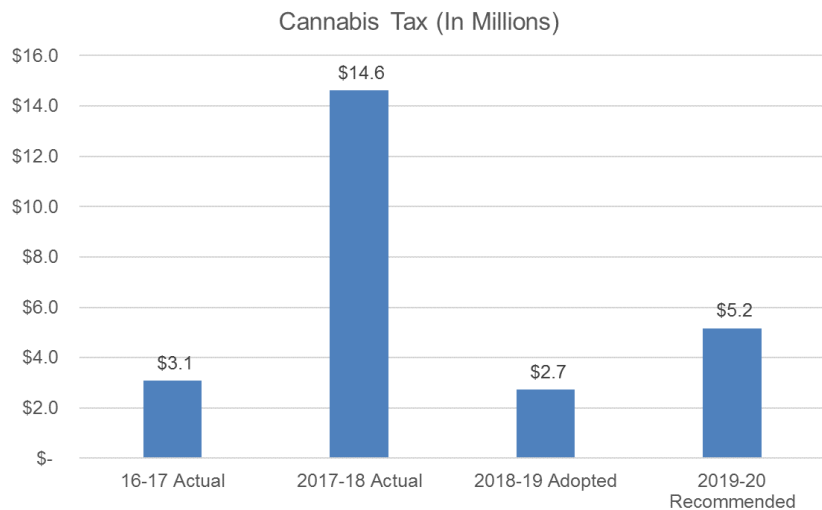
has grown primarily under the State-County realignment to support increased responsibilities of health, social services, and public safety programs.

Cannabis Revenue

Cannabis tax revenue is collected in the County's general fund, however, for transparency, the County has been tracking this revenue separately and placing the excess over the cost of operating the program into a reserve account.

The Recommended Budget includes \$5.2 million in ongoing cannabis revenue to support ongoing expenditures, mainly salary and benefits cost for positions funded by the cannabis program. For the current year, the

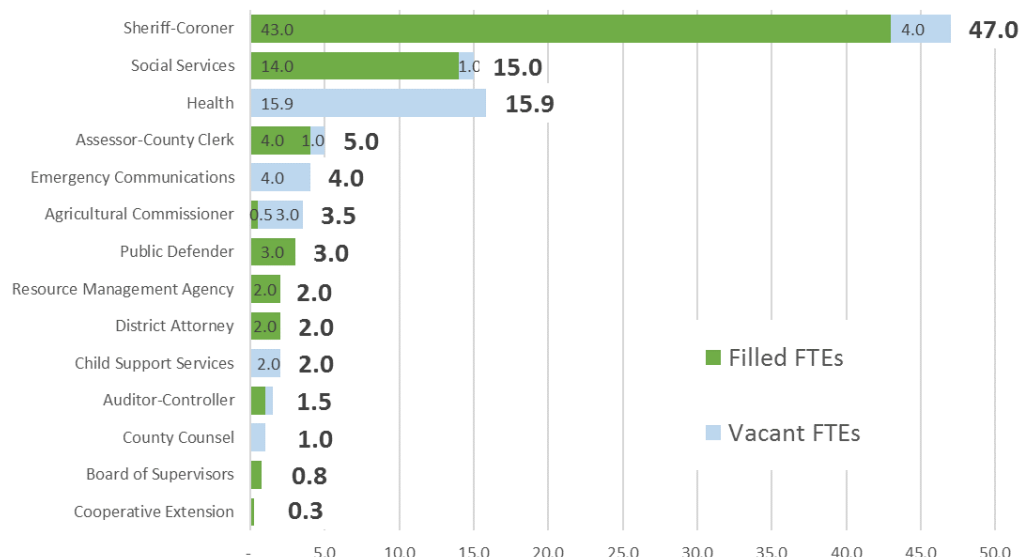
estimated revenue is \$11.3 million. Based on this estimate, the projected ending balance of the assignment for FY 2018-19 is \$15.6 million.



Baseline Budgets – Initial Service Level Reductions

In February, staff forecasted a budget deficit of \$14.1 million due to inflationary cost pressures and other fiscal issues. In March, departments submitted initial “baseline budgets” which communicate what level of operations can be afforded, considering the fiscal pressures, if no additional funding is available.

Cost pressures primarily centered on pension contributions, healthcare costs, and general liability insurance programs and make it unfeasible to continue current level operations without augmented funding. If required to balance to existing levels of funding, departments initially identified funding gaps of \$12.4 million to continue 70.5 filled positions and 32.4 vacant positions next fiscal year. In some cases, departments also reduced non-personnel operating budgets to balance to current funding levels.



The Sheriff's Office would be the most impacted due to rising employee benefit cost pressures as well as a significant increase in the general liability insurance program. The increase in general liability in the general fund was almost exclusively allocated to the Sheriff's Office. Other departments were also impacted, to a lesser extent, primarily due to employee benefit cost increases such as pension and healthcare.

Departments requested augmentations to continue existing staffing levels and operations. In a few cases, departments did not request to restore positions. For example, the Health Department reduced 16 long-term vacancies in primary care clinics to better align staffing levels to service needs. Social Services lost funding from the Workforce Development Board for adult and dislocated worker services, requiring elimination of 15 positions that serviced these programs, including 14 filled positions. The Sheriff's Office did not request to restore four vacant positions eliminated due to reduced funding from the State for court security.

Requested Augmentations

During the April 9, 2019 budget workshop with the Board of Supervisors, the County Administrative Office provided an update on the fiscal outlook for next fiscal year and the current budget development. Information was provided on requested augmentations. The workshop gave the Board an opportunity to provide feedback on prioritization of funding augmentations and general direction for next year's budget.

Departments submitted augmentation requests to increase funding that would allow them to continue operating at existing service levels. Departments also submitted augmentation requests to expand programs or to complete capital improvements. Initial augmentation requests totaled over \$46 million for all funds including:

- \$7.6 million to keep 56 filled positions.
- \$210,993 to keep 5.5 vacant positions, leveraged with other revenue.
- \$2.9 million to maintain non-personnel "status-quo" operations, such as contracted services, trial related expenses, IHSS wage increase, and other services and supplies.
- \$9.5 million to add 111.5 new positions, including new staff for the jail expansion, park operations, planning and building programs, cannabis program oversight, and for environmental health programs.
- \$15.7 million for capital improvements, such as the juvenile hall cost over-run, capital improvements at the Lakes, and information technology infrastructure.
- \$3.7 million for new or expanded services.
- \$6.4 million in other requests such as contributions to other funds and agencies.

Since the April budget workshop with the Board, the County Administrative Office and departments continued to refine revenue and expenditure estimates. After considering revenue growth, anticipated use of fund balance for one-time expenditures, and increases in funding commitments, the County has \$15.5 million available for departmental augmentations. Funding augmentations was possible primarily due to the following developments:

- **Growth in discretionary revenue.** Non-program revenue grows \$13.6 million over the current year adopted budget; however, the County has non-discretionary obligations and funding commitments that consume some the discretionary revenue growth. For example, formula driven increases in TOT contributions to the road fund and DSA agencies increase \$920,053 and \$328,643, respectively. Additionally, some of the growth is used up by items that were funded with one-time funds in the

current year and require permanent funding beginning next year, such as public health programs that were funded with contingency funds (\$1.0 million) and social services programs that were funded with the cannabis assignment (\$3.7 million).

- **The general fund is benefiting from higher cost allocation plan reimbursements from other funds.** The general fund benefits through recovery of indirect costs from other funds and grantors. In the last couple of years, the County has transitioned from general fund departments charging each other for services using different cost allocation methodologies to instead recovering costs through a uniform, federally-approved plan known as the Countywide Cost Allocation Plan or COWCAP. Next year, cost plan recoveries into the general fund improve \$4.5 million.
- **Utilizes \$1.5 million in estimated unassigned fund balance.** The Recommended Budget includes \$1.5 million from prior year unassigned fund balance for one-time expenditures next fiscal year.
- **Cannabis funds.** The Recommended Budget includes use of \$926,466 from the cannabis assignment to fund early education and prevention programs. Additionally, ongoing cannabis revenue funds seven new positions totaling \$773,587.

Recommended Augmentations

In reviewing requests for augmentation, staff prioritized recommendations based on feedback received at the April 9th budget workshop. Priority was given to preserving departments' current staffing and service levels and for augmentations aligning with the County's strategic initiatives and community priorities expressed in forums, surveys, and other engagement initiatives. Augmentations leveraging sustainable revenue from other agencies and meeting critical infrastructure needs were also taken into consideration. In total, staff recommend \$15.5 million in augmentations within the context of a structurally balanced budget as summarized in the following table and discussed below.

Department	CAO Recommended				
	Rec. Augmentations	Restore Filled	Restore Vacancies	New Positions	Total Positions
Assessor-County Clerk-Recorder	284,027	4.0	1.0	-	5.0
Agricultural Commissioner	0	-	-	1.0	1.0
Auditor-Controller	99,522	1.0	-	-	1.0
Board of Supervisors	107,623	0.8	-	-	0.8
Civil Rights Office	37,500	-	-	-	-
Clerk of the Board	64,708	-	0.5	-	0.5
Cooperative Extension	21,111	0.3	-	-	0.3
County Administrative Office	719,490	-	-	7.0	7.0
County Counsel	93,609	-	-	1.0	1.0
District Attorney	495,070	2.0	-	2.0	4.0
Emergency Communications	188,112	-	4.0	-	4.0
Health	431,409	-	-	12.0	12.0
Human Resources	154,605	-	-	1.0	1.0
Information Technology	1,851,128	-	-	3.0	3.0
Library	300,000	-	-	1.0	1.0
Probation	146,941	-	-	-	-
Public Defender	826,463	3.0	-	1.0	4.0
Resource Management Agency	1,046,784	2.0	-	6.0	8.0
Sheriff-Coroner	7,108,251	43.0	-	23.0	66.0
Social Services	1,544,827	-	-	2.0	2.0
Totals	\$ 15,521,180	56.0	5.5	60.0	121.5

Recommended augmentations provide funding for 56 filled positions and 5.5 vacant positions. Additionally, recommended augmentations add 60 new positions next fiscal year, of which 25 are fully funded by program revenues, 28 are funded with GFC, and seven are funded by cannabis revenue. Recommended augmentations include:

- \$7.1 million for the Sheriff's Office to maintain current service levels in patrol and at the jail by funding 43 filled safety positions at risk due to cost pressures. Included in the \$7.1 million is \$2.0 million for 23 new positions needed to operate the expanded jail once the addition is complete. The new positions include 17 civilian positions to operate additional control centers and six deputies.
- \$1.5 million (including \$283,424 in cannabis funds) to Social Services to fund the County's portion of the negotiated wage increase to IHSS providers, the safe parking program, the homeless shelter, match funding for the Whole Person Care program, and to cover fixed costs associated with the Office for Employment Training after the unit is dissolved. Two new positions are recommended including a Military and Veterans Affairs representative funded by cannabis revenue and a public health nurse in the IHSS program, funded with program revenues.
- \$1.0 million to the RMA to fund increased facilities operations and maintenance related to the East-West Wing building, the Salinas Valley Groundwater Basin Investigation, security and camera systems upgrade, funding for fire fuel mitigation, and other projects related to the Carmel River, Moss Landing Community Plan, and the Pajaro and Boronda CSD Proposition 218 rate increases. Recommended augmentations also continue funding for two at-risk filled positions and add six new positions funded with program revenues. Positions added in the Road Fund include an assistant engineer, a project manager, and an accounting technician. Other new positions include a building and grounds worker and management analyst for the East Garrison community and a water hydrologist to support floodplain management, drainage, and erosion control.
- \$826,453 to the Public Defender to protect 3 at-risk filled attorney positions and fund trial expenses at current levels. A new social worker position, funded by AB109, is also recommended.
- \$719,490 (including \$611,990 in cannabis funds) to the County Administrative Office to add three new management analysts for the cannabis program, a new housing analyst, funding to continue leadership conferences, a homelessness consultant, and continue government memberships. Additionally, two positions for the Silver Star Program and one emergency services planner are recommended, supported with program revenue.
- \$495,070 (including \$73,188 in cannabis funds) to the District Attorney to fund two at-risk filled attorney positions, maintain current funding for trial expenses, and add a forensic accountant and investigative captain to expand investigative capabilities.
- \$390,628 to the Information Technology Department for three new positions to support departmental information systems requirements.
- \$284,027 to sustain four filled staff and one vacancy in the Assessor's Office to ensure timely property tax assessments.
- \$188,112 for Emergency Communications to continue four vacant dispatcher positions as well as funding for future equipment replacement.
- \$431,409 (all from cannabis funds) to the Health Department to fund First 5 early childhood programs and one new position for the public guardian function. Additionally, the Recommended

Budget includes nine positions in environmental health and two positions for animal services, fully supported with program revenue.

- \$292,964 to restore a combined 2.0 filled positions in the Cooperative Extension, Auditor-Controller, and Board of Supervisors and restore a half-time vacant position in the Clerk of the Board.
- \$248,214 is recommended to add one position in Human Resources and one in County Counsel to improve administrative support.
- A new position is recommended in the Agricultural Commissioner to regulate pest detection activities, fully funded by program revenue.
- \$184,441 to restore operational expenditures such as training in the Civil Rights Office and increased medical care cost for wards in juvenile institutions for Probation.
- The Library receives a recommended \$300,000 from the cannabis assignment to purchase books.

The Recommended Budget also includes investment of \$1.5 million in one-time funds to retrofit the County's radio towers to meet seismic standards, continue deployment of video conferencing capabilities, and continue conversion to wireless networks to ensure continuity of County operations and promote efficiencies.

The cannabis program is overseen by the Intergovernmental and Legislative Affairs (IGLA) Division in the County Administrative Office. The IGLA Division reviewed augmentations requesting cannabis funding and made recommendations included in the budget. Use of cannabis revenue and assignment funding recommended augmentations is summarized in the following chart:

Recommended Augmentations			
Revenue		Assignment	
<u>County Administrative Office</u>		<u>Social Services</u>	
Management Analyst I	129,420	Salinas Homeless Shelter	92,825
Management Analyst II	145,210	Safe Parking	86,380
Management Analyst III	154,605	Whole Person Care	37,261
Housing Analyst II	112,755		
		Subtotal	216,466
Subtotal	541,990		
<u>District Attorney</u>		<u>Health</u>	
Accountant III	73,188	First 5 programs	340,000
		Subtotal	340,000
Subtotal	73,188		
<u>Health</u>		<u>Library</u>	
Public Guardian	91,411	Book Collection	300,000
		Subtotal	300,000
Subtotal	91,411		
<u>Social Services</u>		<u>County Administrative Office</u>	
MVAO Representative	66,998	Homeless outreach	50,000
		Prundale Senior Center	20,000
Subtotal	66,998	Subtotal	70,000
Total Recommended Cannabis Revenue	773,587	Total Recommended Assignment use	926,466

Remaining Unfunded Needs

The Recommended Budget seeks to continue funding existing staff and service levels, expand critical programs and services where feasible, and invest in key capital projects. However, resources are limited and \$24.3 million in requested augmentations are not addressed in the Recommended Budget. These remaining unfunded requests are described below:

Unfunded capital projects. The Recommended Budget does not include \$13.5 million in requested funding for many capital projects including the anticipated cost over-run for the New Juvenile Hall for which staff requested \$7.1 million, capital improvements totaling \$4.8 million at Lake Nacimiento and Lake San Antonio, \$850,000 to upgrade and refurbish ITD facilities, and other projects such as the Carmel Lagoon ecosystem protective barrier/structure, and a security fence for the 911 dispatch center.

Funding for operation of Lake San Antonio (LSA). In January 2019, the Board of Supervisors authorized staff to transition LSA to a regional park managed as part of the general fund operations of the RMA. Funding in the amount of \$1.9 million was requested to cover operations of LSA including operational cost of temporary staff and services and supplies (\$1.1 million) and addition of eight new staff (\$749,289) to manage LSA, including five parks service aides, a building and grounds worker, a special events manager, and an administrative operations manager. These requests are not included in the Recommended Budget.

Unfunded needs for community programs. The Recommended Budget does not include funding for the County match for the Salinas Soccer Field (\$250,000) nor does it include a second-year contribution to Hartnell College for scholarships through the Salinas Valley Promise Program (\$300,000). On April 23, 2019, the Board authorized use of \$200,000 from the cannabis assignment in the current year to ensure the Salinas Valley Promise program has the capital to launch operations on July 1, 2019 and mentioned that program representatives can return at a future date to provide additional supporting information.

Housing Programs. The Recommended Budget provides funding for one housing analyst, however, consultant costs, a housing study, and an additional housing analyst position were not funded (\$386,189).

New position requests. Departments submitted requests to add 111.5 new positions, of which 60 positions are included in the Recommended Budget. That leaves 51.5 positions that were not recommended. Eight of these positions are related to the operation of LSA, as mentioned previously. Other new position requests that were not funded include: 12 positions requested by Human Resources to improve service levels to departments and to restore the Learning and Organizational Development Program; five positions in the Auditor-Controller to manage workload related to the ERP system and for the internal audit division; 10 positions in the RMA to assist with planning, code compliance, engineering, and administrative support; and an additional 16.5 new positions requested by seven departments to meet operational requirements.

Requests for cannabis funding. Requests for additional resources to operate and enforce the cannabis program totaling \$1.1 million were not included in the Recommended Budget. Requests included a cannabis contingency fund of \$400,000 and costs related to the cannabis outdoor grow pilot program. IGLA staff will provide information on their recommendations at the budget hearings.

Other unfunded needs. Departments had other requests totaling \$1.7 million that were not recommended due to budget constraints. Such requests include \$1.1 million in requests from the RMA to continue flood management at the Carmel Lagoon, contracted services to help with planning and inspection to reduce backlog of cases, and upgrades or addition of software to increase operational efficiencies. Other unfunded requests include \$268,392 from the Probation Department for anticipated increases in operational expenditures such as the cost of housing juvenile wards at State detention centers, funding for the employee Wellness Program, and other services and supplies across multiple departments. Unfunded needs are described in detail in the departmental budget narratives of the Recommended Budget book.

There are other needs that will require the County's attention in the foreseeable future, but additional time is needed to gain a comprehensive understanding of those requirements. Most labor associations have begun or are close to beginning negotiations for new bargaining agreements to take effect in July

2019. Potential costs for these agreements are unknown at this time. In addition, based on recent inspections by the State, the County anticipates dam and spillway repairs at Lake San Antonio and Lake Nacimiento. There are also additional storm damage repairs required beyond what is reimbursed by FEMA and repairs that are not related to storm damage. These unfunded projects are estimated at \$35.8 million. The RMA is analyzing financing options to complete these projects and will return to the Board with available options.

Next Steps

The Recommended Budget will be presented at the Budget Hearings commencing on June 3rd, where staff will present an overview of the spending plan and the Board will hear presentations from Department Heads and receive input from individuals and organizations within the community. During the hearing, the Board may make additions, deletions or modifications to the recommended spending plan. Financing sources for potential modifications are discussed below.

- **Cannabis funding.** Budgeted revenue next fiscal year to support ongoing program expenditures and recommended augmentations totals \$5.2 million. Additionally, the County has set aside prior year cannabis tax revenue in excess of program expenditures into a reserve account, to be utilized for one-time needs. The estimated balance at FY 2018-19 is \$15.6 million, based on current year estimated revenues of \$11.3 million, and may change based on actual collections.
- **Contingencies appropriation.** In accordance with Board policy, the budget includes 1% of estimated general fund revenues (\$6.7 million for FY 2019-20) set aside for operational contingencies that arise next year. Contingencies is considered one-time funding; therefore, to the extent these funds are utilized to fund ongoing operations, funding gaps will be magnified in the subsequent budget cycle.
- **Redirection of resources.** The Board can direct staff to delete or modify County programs or contributions to other agencies that are funded in the Recommended Budget and redirect those resources to fund other requests.

Other Funds

This section summarizes the Recommended Budget and anticipated fund balance for other major funds.

Natividad Medical Center

NMC's spending plan for FY 2019-20 totals \$331.3 million, an increase of \$7.7 million over the FY 2018-19 Adopted Budget. The increase is primarily attributed to approved wage increases, annual employee step increases, rising employee benefit costs, and an increase in staffing to accommodate for service volume increases. Planned spending is

Natividad Medical Center Enterprise Fund ^A	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
Beginning Net Position ^B	\$ 73,825,334	\$ 123,835,135	\$ 123,835,135	\$ 140,975,514
Revenue	449,940,058	332,772,880	330,048,050	356,673,893
Expenditures	399,930,257	323,644,440	312,907,671	331,301,564
Ending Net Position	123,835,135	132,963,575	140,975,514	166,347,843
Change in Net Position	50,009,801	9,128,440	17,140,379	25,372,329

^AThe Enterprise Fund revenue and expenditures are based on the County's financial system.

^BNet position reflect NMC's cash balance per their Meditech financial system.

supported by an estimated \$356.7 million in revenue, an increase of \$23.9 million over the current year adopted budget. The increase is primarily attributed to an increase in the average daily census, an improved payor mix providing a more favorable collection rate, offset with a decline to the 1115 Waiver through 2020 (the State's Medicaid pilot program). The 1115 Waiver provides federal funding for public

hospital redesign and incentives as well as funding to assist with the uninsured population. Although the Centers for Medicaid and Medicare Services agreed to extend the 1115 Waiver through 2020, there was an overall reduction in funding due to a decline in the uninsured population because of the Affordable Care Act (ACA). NMC expects to improve its net position by \$25.4 million in FY 2019-20.

NMC has a capital project fund to finance Board-approved capital projects over \$100,000 in cost. NMC transfers funding as needed from the enterprise fund to the capital project fund and draws from the fund to pay for projects. NMC is budgeting reimbursements to the enterprise fund of \$30.9 million for capital

Natividad Medical Center Capital Projects Fund	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
Beginning Fund Balance	\$ 21,044,995	\$ 74,868,143	\$ 74,868,143	\$ 60,468,143
Revenue	59,896,475	10,850,560	-	10,300,000
Expenditures	6,073,327	32,563,756	14,400,000	30,948,871
Ending Fund Balance	74,868,143	53,154,947	60,468,143	39,819,272
Change in Fund Balance	53,823,148	(21,713,196)	(14,400,000)	(20,648,871)

projects that will occur in FY 2019-20. Part of the \$30.9 million includes \$1.7 million budgeted as an interfund loan to the Road Fund to assist with storm repair projects. NMC plans to move \$10.3 million from the enterprise fund to the capital project fund for future projects. Based on these assumptions, NMC plans to utilize \$20.6 million from the capital project fund in FY 2019-20.

Road Fund

The Recommended Budget for the road fund consists of \$55.6 million in expenditures, \$60.4 million in revenues, anticipating a \$4.8 million increase in fund balance next year. The road fund's growing fund balance is reflective of two new revenue sources and the revised

Road Fund	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
A. Beginning Fund Balance	\$ (2,707,005)	\$ 10,153,628	\$ 10,153,628	\$ 23,168,381
B. Revenue	46,773,322	38,300,306	58,992,350	60,362,741
C. Total Financing, A+B	44,066,317	48,453,934	69,145,978	83,531,122
D. Expenditures	33,912,689	37,914,004	45,977,597	55,575,061
E. Ending Fund Balance, C-D	\$ 10,153,628	\$ 10,539,930	\$ 23,168,381	\$ 27,956,061

countywide cost plan methodology. In FY 2017-18, the County began receiving funds from the Transportation Agency for Monterey County (TAMC) for the transportation sales tax measure (Measure X) and from the State for SB1 - Road Maintenance and Rehabilitation Account (RMRA). Measure X and RMRA revenues are estimated at \$7.7 million and \$7.3 million, respectively. Measure X includes a Maintenance of Effort (MOE) requirement to ensure the County provides general fund resources for street and highway purposes in an amount no less than the average of the prior three years, using Measure X to supplement, not supplant transportation expenditures. SB1 and Highway Users Tax Account (HUTA) funds also have an MOE requirement, but the amount is less as it is calculated on a three-year average of FY 2009-10, 2010-11 and 2011-12 contributions. The Recommended Budget includes a contribution of \$6.2 million from the general fund, representing 25% of audited FY 2017-18 TOT revenue of \$25.0 million. The road fund includes \$1.7 million in planned winter storm repair projects funded by NMC's Fund 404 fund balance. Primary funding for the road fund will continue to be from State and local fuel taxes (HUTA) and federal and State grants.

RMA's work plan includes \$28.5 million in road fund projects, \$8.3 million in non-road projects, and \$15.6 million in road and bridge maintenance. Notable road fund projects include the design and right-of-way phase of the Davis Road Bridge and Four Lane Road Project for \$6.4 million, the construction of the River Road overlay project for \$3.8 million, the construction of the Countywide Roadway Safety Signage for \$2.5 million and initiating construction of the Bradley Road Bridge Scour Repair for \$2.0

million. Non-road projects include completing the design phase and initiating construction of the Monterey Bay Sanctuary Scenic trail for \$5.2 million and completing construction of the Las Lomas Drainage for \$2.1 million. Road maintenance includes the annual Pavement Management Seal Coat for \$2.1 million funded with TOT funds and \$8.3 million in road maintenance planned in District's 1-4 (San Miguel, Monterey, Greenfield, and San Ardo).

County Library Fund

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

Revenues are estimated to increase by \$691,413 in FY 2019-20 and mainly due to increased property tax revenues in accordance with the County Assessor's projection. Revenue also includes a mandated \$235,539 general fund contribution for the County Librarian's salary and a \$300,000 recommended augmentation for book purchases funded by the cannabis assignment.

Expenditures increase by \$986,360 from FY 2018-19, mostly due to one-time costs. Two capital projects including \$150,000 to open the Parkfield Library and \$200,000 for planning and preconstruction of the Bradley Library are included in the budget. The projects are funded by the Capital Facilities Projects Fund 401 and an additional \$100,000 match will be utilized from the library fund. Also included is half of the cost to replace computers for the Library's staff and branches and to buy new self-check machines. A contribution of \$200,000 from the Foundation for MCFL has also made possible the purchase of a new bookmobile next fiscal year.

The gap between MCFL's resources and community needs continue to grow resulting in a projected \$285,956 erosion of fund balance in FY 2019-20. MCFL continues to actively seek alternative and diversified sources of funding in order to supplement its budget as well as develop partnerships with cities and schools to share operational and building costs.

Local Revenue Fund 2011

The local revenue fund supports public safety and behavioral health programs. For next fiscal year, the revenue increases to \$66.0 million, while expenditures (operating transfers out for the various public safety, health and social services programs) total \$68.8 million, exceeding revenues by \$2.8 million. The use of fund balance is primarily to cover authorized uses for AB 109 programs in probation and behavioral health programs.

Monterey County Free Library	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
A. Beginning Fund Balance	\$ 150,017	\$ 1,011,886	\$ 1,011,886	\$ 837,853
B. Revenue	9,269,287	10,282,278	10,084,646	10,973,691
C. Total Financing, A+B	9,419,304	11,294,164	11,096,532	11,811,544
D. Expenditures	8,407,418	10,273,287	10,258,679	11,259,647
E. Ending Fund Balance, C-D	\$ 1,011,886	\$ 1,020,877	\$ 837,853	\$ 551,897

Local Revenue Fund 2011	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
A. Beginning Fund Balance	\$ 24,293,681	\$ 28,917,003	\$ 28,917,003	\$ 26,835,241
B. Revenue	62,091,249	63,826,647	62,886,267	66,011,339
C. Total Financing, A+B	86,384,930	92,743,650	91,803,270	92,846,580
D. Expenditures	57,467,927	65,690,930	64,968,029	68,849,082
E. Ending Fund Balance, C-D	\$ 28,917,003	\$ 27,052,720	\$ 26,835,241	\$ 23,997,498

Behavioral Health Fund

The Recommended Budget for the behavioral health fund increases expenses and revenues \$21.5 and \$20.4 million respectively. Budgeted expenditures increase due to the addition of 34.28 positions, increased demand for contracted services, and the addition of Whole Person Care

(WPC) prior-year rollover funds. Additionally, the budget for behavioral health includes capital projects in the existing Marina clinic and the new Sanborn clinic. The increase in revenue supports additional ongoing expenditures for all behavioral health programs. The fund anticipates \$3 million in fund balance use, which is earmarked for said capital projects. Overall, revenue in this fund helps support the provision of an array of strong behavioral health services both in-house and through contracts with community-based culturally competent contract providers.

Behavioral Health Fund	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
A. Beginning Fund Balance	\$ 32,825,508	\$ 42,651,110	\$ 42,651,110	\$ 46,410,229
B. Revenue	118,978,739	124,223,560	124,276,207	144,620,465
C. Total Financing, A+B	151,804,247	166,874,670	166,927,317	191,030,694
D. Expenditures	109,153,137	126,159,886	120,517,088	147,620,465
E. Ending Fund Balance, C-D	\$ 42,651,110	\$ 40,714,784	\$ 46,410,229	\$ 43,410,229

Health and Welfare Realignment Fund

The health and welfare realignment fund supports social services and health programs, through sales tax and Vehicle License Fees (VLF) apportioned by the State. The Recommended Budget includes expenditures of \$76.0 million and revenues of \$68.7 million, anticipating a \$7.3

million reduction to fund balance in FY 2019-20. The fund balance use reflects the Health Department's plan to utilize health realignment funds for programs impacted as a result of the AB 85 State redirection.

Health & Welfare Realignment	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommend 2019-20
A. Beginning Fund Balance	\$ 25,691,206	\$ 30,626,466	\$ 30,626,466	\$ 24,863,937
B. Revenue	70,835,180	65,928,568	67,341,867	68,738,799
C. Total Financing, A+B	96,526,386	96,555,034	97,968,333	93,602,736
D. Expenditures	65,899,920	71,422,200	73,104,396	75,991,783
E. Ending Fund Balance, C-D	\$ 30,626,466	\$ 25,132,834	\$ 24,863,937	\$ 17,610,953

Emergency Communications Fund

Emergency Communications is transitioning operations to a special revenue fund, effective FY 2019-20. The County provides emergency and non-emergency call answering services to law enforcement and fire agencies. Pursuant to the 911 Service Agreement, user agencies share

the cost of dispatch operations, reimbursing the County approximately 70 cents for every dollar expended. In the past, user agencies have agreed to pay funds ahead of planned capital expenditures needed for the operation, resulting in restrictions of those funds until the appropriate expenditure was incurred. The Auditor-Controller recommended setting up Emergency Communications as a special revenue fund, given the restriction of revenue received shall only be for the benefit of Emergency Communications. Next fiscal year, the fund expects an addition to fund balance of \$353,845.

Emergency Communications	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommended 2019-20
A. Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
B. Revenue	-	-	-	12,631,743
C. Total Financing, A+B	-	-	-	12,631,743
D. Expenditures	-	-	-	12,277,898
E. Ending Fund Balance, C-D	\$ -	\$ -	\$ -	\$ 353,845

Parks Lake & Resort Operations

The Parks Resort Enterprise Fund is estimated to begin Fiscal Year (FY) 2019-20 with a negative \$1.0 million net position, a \$2.4 million improvement over the prior year's negative net position. This is attributed to a \$2.2 million subsidy from the general fund to address an ongoing deficit

Parks Lake & Resort Operations	Actuals 2017-18	Adopted Budget 2018-19	Current Year Estimate 2018-19	Recommend 2019-20
A. Beginning Fund Balance	\$ (2,690,463)	\$ (3,384,569)	\$ (3,384,569)	\$ (1,016,288)
B. Revenue	6,813,699	6,027,418	8,088,928	4,921,323
C. Total Financing, A+B	4,123,236	2,642,849	4,704,359	3,905,035
D. Expenditures	7,507,805	5,989,559	5,720,647	4,393,198
E. Ending Fund Balance, C-D	\$ (3,384,569)	\$ (3,346,710)	\$ (1,016,288)	\$ (488,163)

resulting from a long-term liability for a settlement agreement, fluctuating water levels impacting recreational activities and substandard amenities due to deferred maintenance. While the subsidy addressed prior year deficits, the current year estimate includes a negative net position of \$1.0 million mostly due to the unprofitable operations at Lake San Antonio. At the March 19, 2019 Budget Committee meeting, the Department reported an updated estimated ending net position for the current year at \$963,048. The on-going negative net position of the enterprise fund will need to be addressed in the current year. Any subsidies from the general fund to the parks resort enterprise fund will continue to diminish the County's capacity to fund other priorities.

To address the ongoing deficit, RMA developed a draft Recreational Operations Plan, focusing primarily on Lake San Antonio (LSA) North and South Shore, due to the unprofitable scale of operations at LSA. In January 2019, the Board of Supervisors recommended transitioning LSA to a regional park managed by the County and removing its operations from the Enterprise Fund effective FY 2019-20. Staff from RMA submitted an augmentation to operate LSA as a regional park for \$1.9 million but it is not included in the Recommended Budget. Without this funding, operations at LSA will be limited.

Lake Nacimiento is expected to continue to operate under a third-party agreement, with strict County oversight, as an enterprise fund. These changes are reflected in the Lake's spending plan for next year of \$4.4 million in expenditures funded with anticipated revenues of \$4.9 million. Increased revenues are anticipated as a result of increased water levels expected to continue through the summer season. The Lakes anticipates improving its net position by \$528,125 under the new business plan, which excludes LSA operations.

Budget Hearings

Budget hearings to consider the FY 2019-20 Recommended Budget are scheduled to begin on Monday, June 3, 2019. The budget hearing schedule will be available online at the Monterey County Clerk of the Board's website on or around Friday, May 24, 2019.

Appropriation Limits

Article XIII B 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.

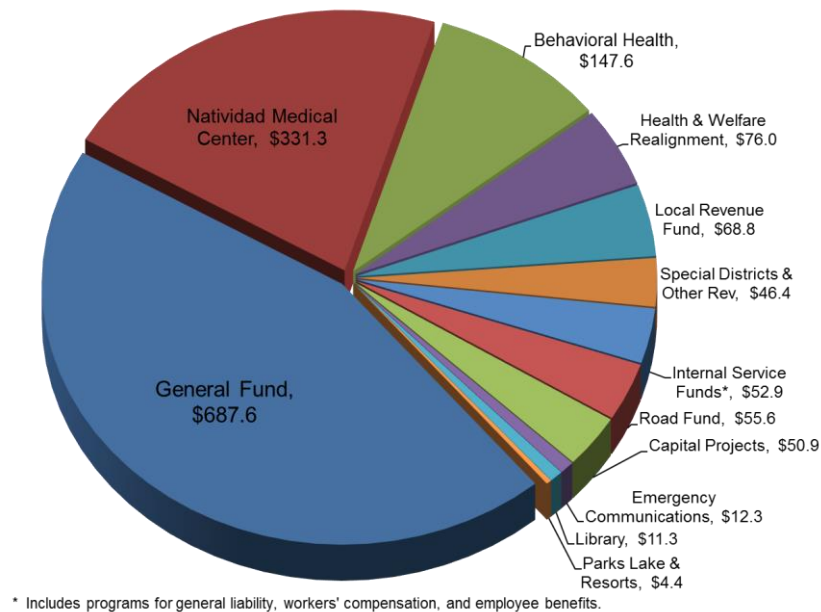
The calculations for the County's general fund and library fund appropriations limit are prepared by the Auditor-Controller's Office with assistance from the County Administrative Office. All districts are within their limits.

Supplemental Charts

This section provides supplemental information on the Recommended Budget including recommended appropriations by fund and department, general fund expenditures and revenue, general fund contributions, information on the County's strategic reserve, and countywide positions.

All Funds – Appropriations by Fund

Chart 1. Recommended Appropriations by Fund (Millions)



General Fund Expenditures

Chart 2. General Fund Appropriations by Department (Millions)

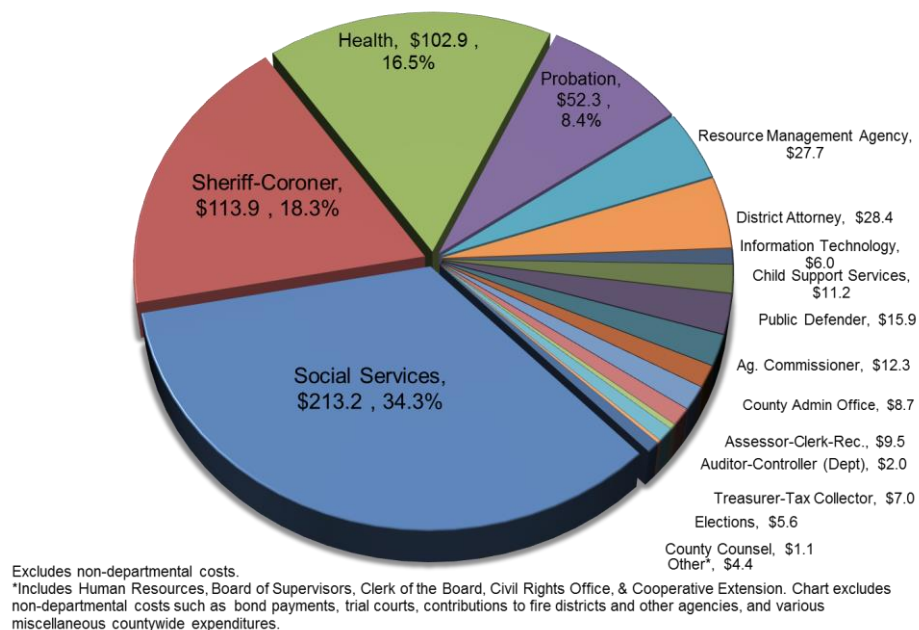
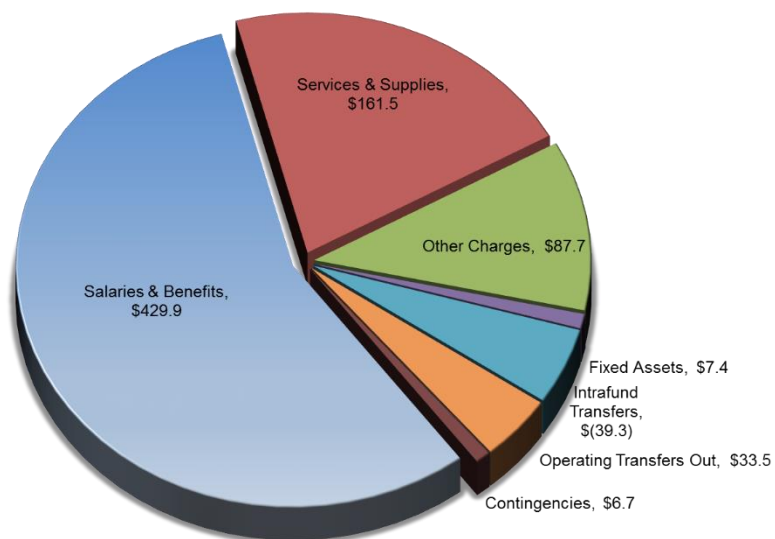


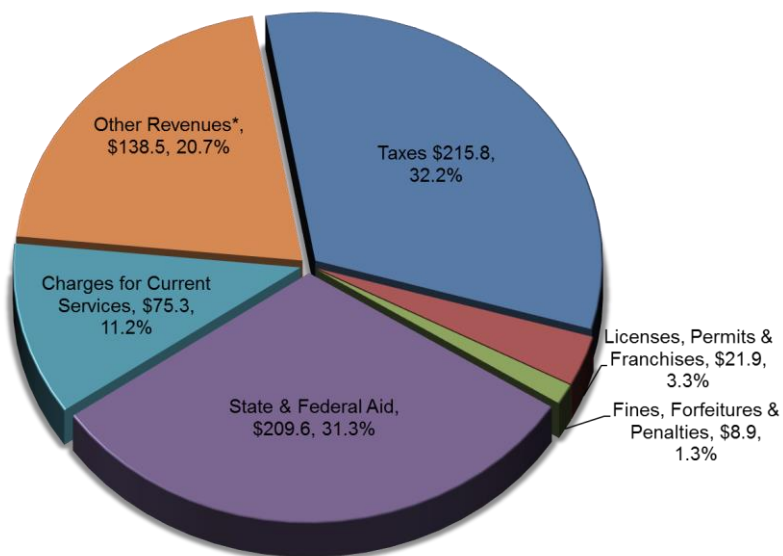
Chart 3. General Fund Expenditures by Category (Millions)



* Other Charges include \$87.7 million for public assistance & out of home care payments. Intrafund Transfers of \$39.3 million are reflected as negative expenditures and represent transfers to County departments for support of various programs/projects from other funds for reimbursement for services provided to non-general fund departments.

General Fund Sources of Revenue

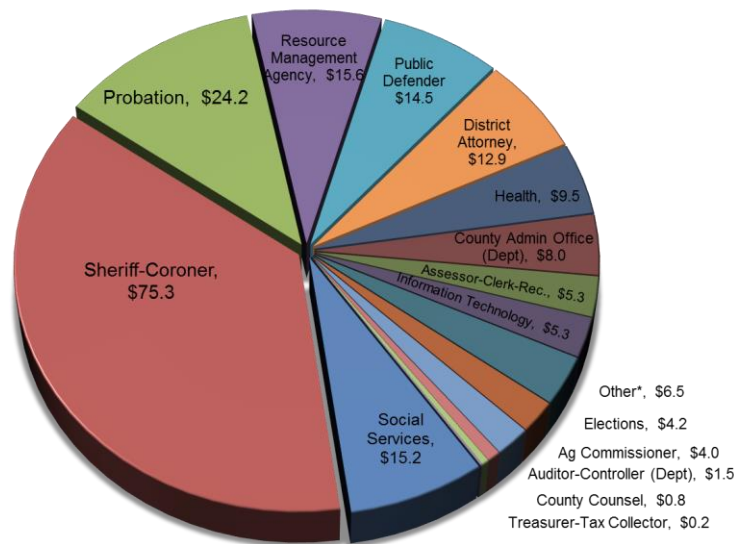
Chart 4. General Fund Sources of Revenue (Millions)



* Includes operating transfers into the general fund from other funds (\$113.4 million), tobacco settlement monies (\$3.7 million), rents & concessions (\$16.2 million), and various miscellaneous revenues.

General Fund Contributions

Chart 5. General Fund Contributions by Department (Millions)

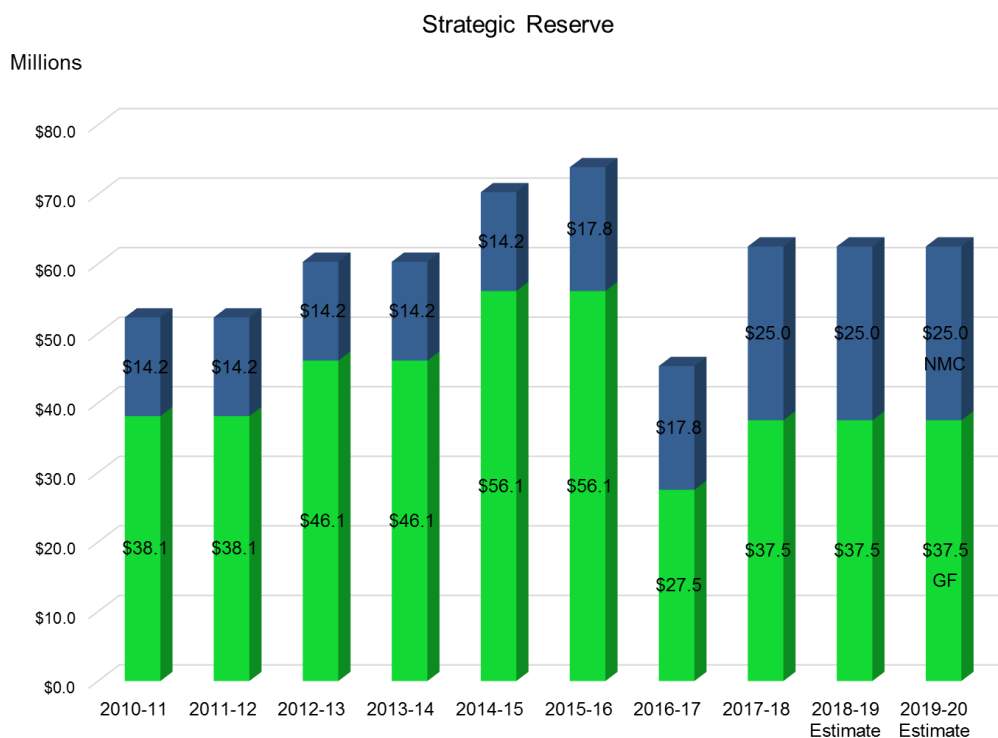


*Includes Human Resources, Board of Supervisors, Clerk of the Board, Civil Rights Office, & Cooperative Extension. Chart excludes non-departmental costs such as bond payments, trial courts, contributions to fire districts and other agencies, and various miscellaneous countywide expenditures.

Strategic Reserve

The chart below reflects funds set aside in the strategic reserve. The general fund portion of \$37.5 million represents 5.6% of estimated revenues in the FY 2019-20 Recommended Budget, below the 10% policy target. NMC has a designated reserve of \$25.0 million.

Chart 6. Strategic Reserve (Millions)



County Employees

The table below summarizes the authorized positions in all funds by department and recommended changes from the FY 2018-19 Adopted Budget.

Table 1. Position Summary

Department	2018-19 Adopted	2019-20 Recommended	Change
Natividad Medical Center	1,254.7	1299.3	44.6
Health	1,069.3	1,102.2	32.9
Social Services	887.0	874.0	(13.0)
Sheriff-Coroner	447.0	469.0	22.0
Probation	288.0	288.0	-
Resource Management Agency	281.5	277.0	(4.5)
District Attorney	151.0	158.0	7.0
Child Support Services	96.0	94.0	(2.0)
Information Technology	100.0	108.0	8.0
Ag Commissioner	84.5	83.0	(1.5)
Emergency Communications	75.0	75.0	-
Library	65.0	66.0	1.0
Assessor	66.0	68.0	2.0
CAO	87.2	113.5	26.3
Public Defender	55.5	56.5	1.0
Treas-Tax Collector	49.0	49.0	-
Economic Development	6.0	-	(6.0)
Auditor-Controller	44.5	44.0	(0.5)
County Counsel	55.0	56.0	1.0
Human Resources	31.0	33.0	2.0
Board of Supervisors	20.0	20.0	-
Clerk of the Board	4.5	5.0	0.5
Cooperative Extension Service	3.0	3.0	-
Civil Rights Office	6.0	5.0	(1.0)
Elections	12.0	12.0	-
Total	5,238.7	5,358.5	119.8