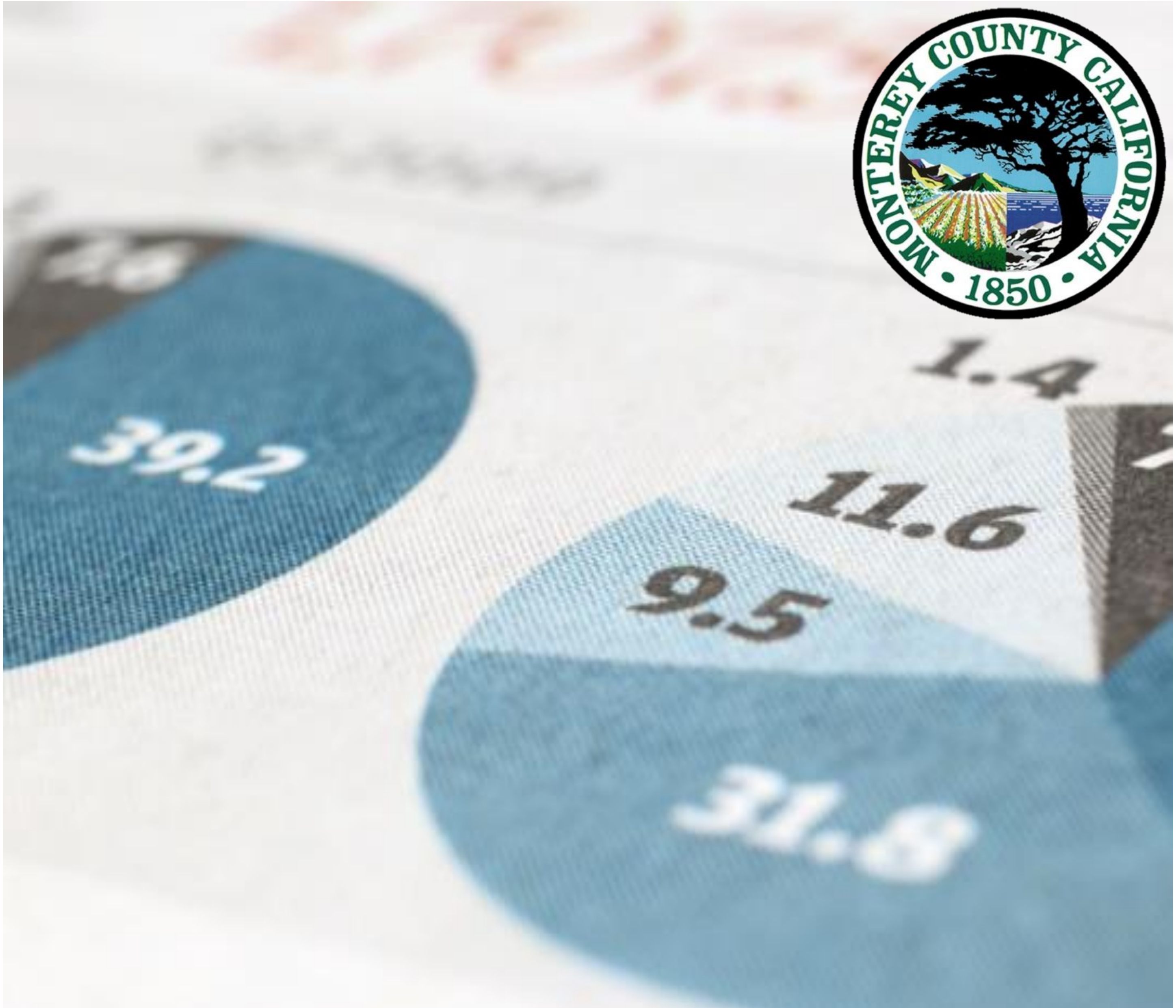



# Budget End of Year Report

Fiscal Year 2018-19

County Administrative Office

November 22, 2019

## INTRODUCTION

The County Administrative Office is pleased to present the Budget End-of-Year Report (BEYR) for Fiscal Year (FY) 2018-19. 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:

- Health of the County's finances.
- Major financial developments, issues, and trends shaping the County's finances.
- Management of the budget and the forecasting of revenues and expenditures.
- Management of reserves and long-term liabilities.

The BEYR begins with an analysis of countywide performance of the general fund, followed by a breakdown of departmental performance and financial condition of other major funds. The financial data utilized in this analysis is unaudited and subject to revisions in the comprehensive annual financial report prepared by the Auditor-Controller.

## 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 2018-19 adopted budget included $677.1 million in appropriations, matched by an equivalent amount of financing. Subsequent modifications throughout the year increased appropriations by $12.4 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 | Adopted Budget | Modified Budget | Year-End Actual |
|---|---|---|---|
| **Available Financing:** | | | |
| Unassigned Fund Balance (FY 2017-18) | $ 2.3 | $ 2.3 | $ 3.9 |
| Cancellation - Restricted Fund Balance | 0.8 | 0.9 | 8.7 |
| Cancellation - Assigned Fund Balance | 15.1 | 21.1 | 18.9 |
| Revenues | 658.9 | 665.2 | 656.1 |
| **Total Financing Sources** | **677.1** | **689.5** | **687.5** |
| **Financing Uses:** | | | |
| Addition - Restricted Fund Balance | $ - | $ - | $ 9.2 |
| Addition - Assigned Fund Balance | - | - | 20.3 |
| Addition - Strategic Reserve | - | - | 29.0 |
| Expenditures | 677.1 | 689.5 | 626.7 |
| **Total Financing Uses** | **677.1** | **689.5** | **685.1** |
| **Unassigned Fund Balance:** | **0.0** | **-** | **2.4** |
| Obligated in FY 2019-20[1] | | | (1.5) |
| **Estimated Unassigned Fund Balance:** | **0.0** | **-** | **0.8** |

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

[1]$1.5 million in FY 2017-18 unassigned fund balance was utilized to balance the FY 2019-20 Adopted Budget.

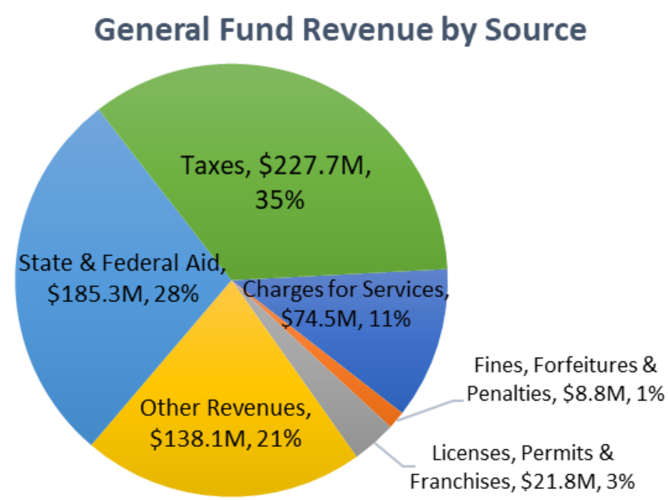
Highlights of general fund performance include:

- Overall results are favorable, with revenues of $656.1 million exceeding expenditures of $626.7 million for a year-end operating surplus of $29.4 million.
- County discretionary revenue performed strongly, led by cannabis tax receipts totaling $15.4 million, $11.6 million more than the conservative estimate adopted in the budget.
- Cannabis revenue exceeded allotments for program maintenance by $11.7 million, with the surplus placed in the cannabis assignment.
- Other forms of discretionary revenue continued to exceed expectations as the economy approaches its tenth year of expansion, nearly double the average length of recovery. Discretionary revenue excluding cannabis receipts beat budget estimates by $20.7 million. The favorable performance was led by transient occupancy tax (TOT), which reached an all-time high of $28.6 million and exceeded budgeted amounts by $6.7 million. Property tax, sales tax, and investment income earned on the County's growing fund balances also performed well compared to budget.
- Year-end expenditures were $62.8 million below final modified budget largely due to salary and benefit savings from vacant positions, lower-than-planned outlays in health and social services programs, and reduced capital spending
- The County continued increasing its fund balances by adding $29.0 million to the Strategic Reserve, reaching 9.9%

of estimated annual general fund revenue, $500,000 away from meeting the 10% goal set by Board policy. The County also added $20.3 into assignments, including the addition of $13.2 million to the cannabis assignment and $5.5 million to the building improvement and replacement reserve.

- The County added $9.2 million to restricted and non-spendable fund balance as departments recognized revenue collected for defined purposes.
- Excluding non-departmental budgets, 18 departments ended the fiscal year with a general fund contribution (GFC) surplus totaling $13.2 million, while five departments had a GFC deficit totaling $6.8 million, resulting in a net savings of $6.4 million.
- The County Administrative Office estimates ending the fiscal year with an unassigned fund balance of $2.4 million. Of this amount, $1.5 million is obligated to fund one-time expenditures in the FY 2019-20 adopted budget.
- Strong management, budgetary performance, and financial liquidity have earned the County a AAA general obligation (GO) rating upgrade from Standard & Poor's based on FY 2018-19 preliminary results.

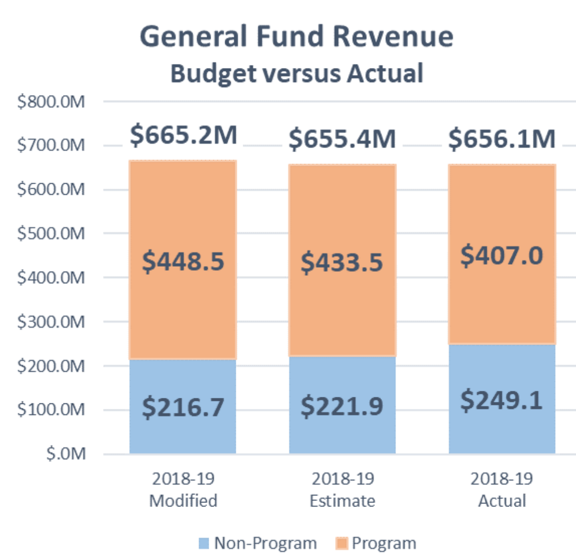
## GENERAL FUND REVENUE




General fund revenue is composed of program and non-program revenue. Program revenue accounted for 62% of revenue and is designated and/or statutorily required for specific purposes. Sources of program revenue include: State and federal aid for various mandated programs primarily in health and social services; charges for services that 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 including reimbursement from realignment funds for health, social services, and public safety programs.

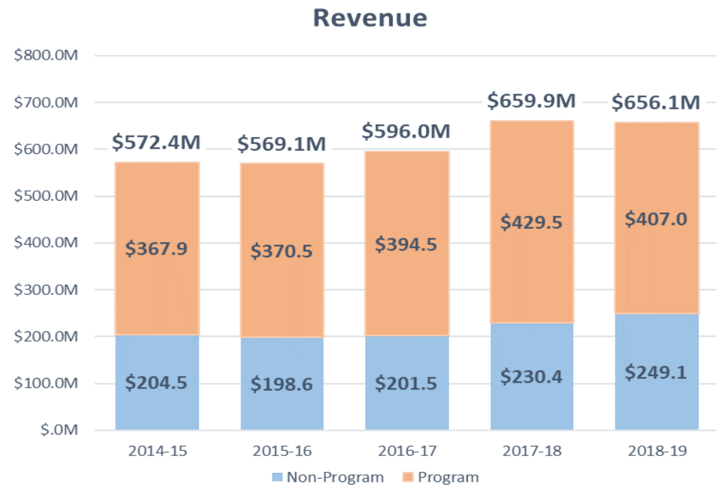
Non-program revenues account for 38% of the general fund's revenues and are discretionary funds used to address local priorities, leverage federal and State monies and to meet maintenance of effort requirements. Non-program revenue sources are primarily derived from taxes, including property taxes, transient occupancy tax (TOT), cannabis tax, and sales tax.

**Revenues of $656.1 million were $9.1 million below budget.**
Major variances included:




- Discretionary revenue exceeded budget estimates by $32.4 million due to favorable cannabis program receipts, continued economic expansion and tourism.
- $15.4 million in cannabis revenue exceeded amounts budgeted for operations by $11.7 million.
- Other discretionary revenue sources of revenue exceeded budget estimates by $20.7 million, with favorable performance in TOT, secured property taxes, sales tax, and investment income earned on the County's growing reserves.
- Gains in discretionary revenue were mostly offset by $29.7 million in unfavorable variances in federal and State aid attributed to lower-than-planned caseloads and associated reimbursable expenditures in social and health services and delayed reimbursements.
- There was also a $5.3 million unfavorable variance in permits, penalties, and law enforcement-related revenues.

**Revenues decreased $3.8 million over the previous year.**
In FY 2017-18, the general fund recognized $22.5 million one-time restricted revenues resulting from technical accounting changes. Most of the one-time revenue recognition was in the Health Department ($18.5 million) from State overpayments of revenue for clinic services. The Information Technology Department (ITD) recognized $4.0 million in restricted public broadcast revenue. Compared to these prior year actuals, the Health Department received $13.0 million less in payments from the State for clinic services and ITD earned $3.5 million less in public broadcast revenue. Other year-over-year variances include:

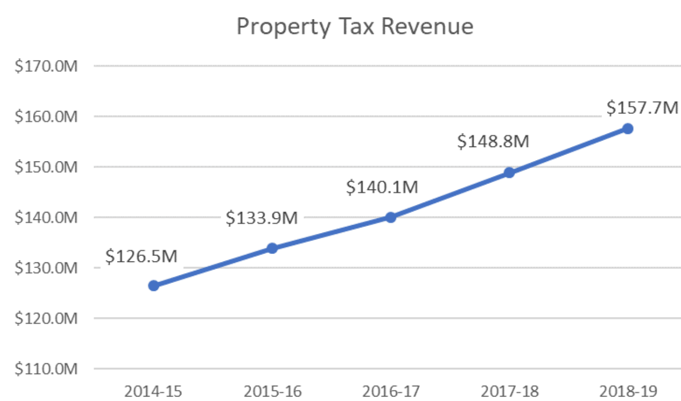


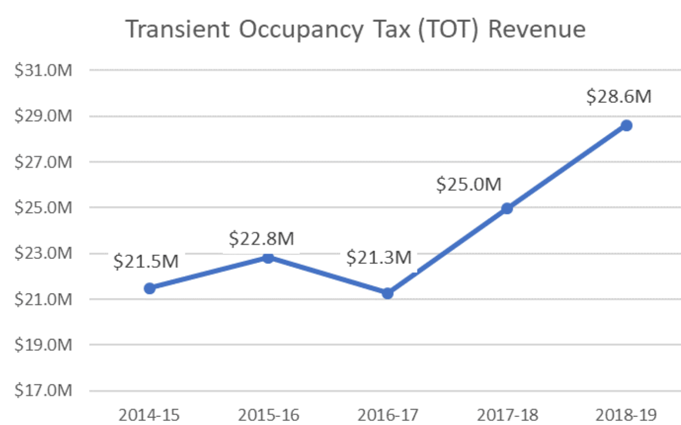

- A $18.7 million increase in countywide discretionary revenue, including cannabis tax receipts, property taxes, TOT, and sales tax, discussed in detail below.
- $8.0 million less from State and federal reimbursements for lower-than-planned caseloads for CalWORKs and other social services programs.
- A $5.8 million increase in concession revenue at WeatherTech Raceway Laguna Seca.
- A $3.5 million increase in legal, communication (911), and election services, offset by a $2.6 million negative variance in fees for agricultural, civil process, and recording services.
- A $3.1 million decrease in operating transfers from non-general fund programs.
- $1.6 million less in license and permit revenues, largely from decreased construction permit fees.

**Discretionary non-program revenue increased $18.7 million over the prior year.** The increase is due to improvement in property tax revenue, TOT, and sales tax. The trends for property tax and TOT, the two largest sources of non-program revenue, are shown to the right.

Major year-over-year variations in discretionary revenue include:

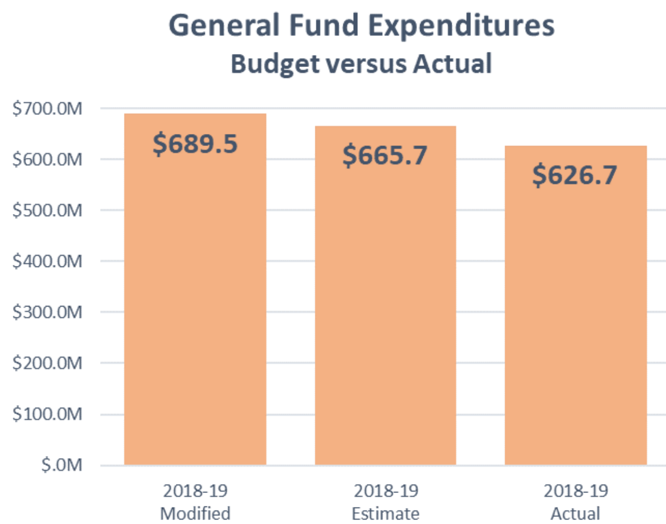
- A $8.9 million increase in property taxes due to higher assessments performed by the County Assessor.
- An increase of $3.7 million in TOT as a result of a continuing strong economy and additional tourist-centered events such as the U.S. Open at Pebble Beach.
- A $2.8 million increase in sales tax due to a strong economy and a $920,655 Cal Flat sales tax payment (in-lieu of property taxes).
- An increase of $2.3 million in interest income from liquidity held in the County investment pool.



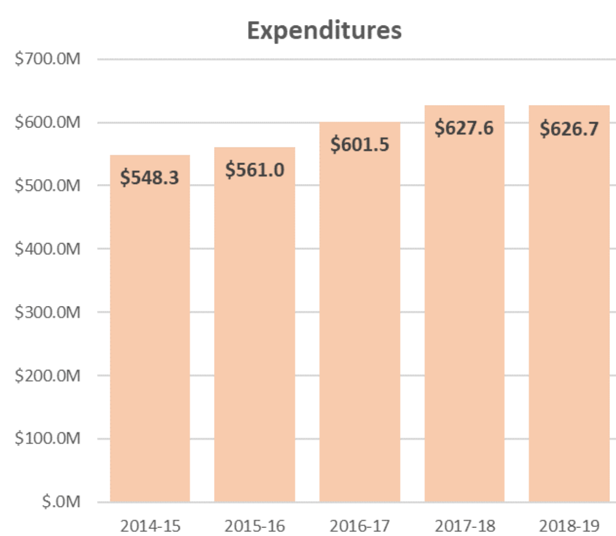
## GENERAL FUND EXPENDITURES

**General fund expenditures ended the year at $626.7 million or $62.8 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 programs as explained below.




Key areas of unspent appropriations:

- $15.2 million lower-than-planned transfers to other funds primarily due to $8.2 million originally budgeted for Laguna Seca capital projects that did not take place and reduced debt service.
- Expenditures for Social Services were $15.2 million below budget due to lower-than-planned caseloads in CalWORKs entitlement programs and salary savings due to prolonged vacancies from hiring challenges.
- The Health Department's expenditures were $14.4 million lower than budget as a result of an 19% vacancy rate primarily in clinics.
- The Resource Management Agency's expenditures were $4.9 million below budget largely due to salary savings from vacancies ($3.1 million) and lower building maintenance and utility costs ($1.2 million).
- The ITD had unused appropriations of $3.1 million resulting from $1.1 million in salary savings due to unplanned vacancies, $1.0 million less in vendor and services costs, and $1.0 million in lower-than-planned reimbursements.
- Probation's expenditures were $2.4 million below budget due to salary savings and lower operating costs.
- County Counsel had unused appropriations of $1.4 million largely due to salary savings from unanticipated vacancies and unused appropriations associated with the Lake San Antonio fuel spill remediation project.
- The Office of the Public Defender had expenditures $916,760 below budget due to lower than anticipated trial expenses and salary savings from vacancies.
- The County did not spend $900,927 of the appropriation for contingencies.
- Emergency Communications had $644,625 in unused appropriations from delays in equipment purchases and lower than anticipated charges from ITD.
- Elections had unused appropriations of $493,000 from savings in ballot printing services and less temporary employee costs due to fewer-than-planned local elections.
- The following departments had a combined $4.1 million in unused appropriations chiefly because of salary and benefit savings from vacant positions: Child Support Services ($936,480), Assessor-County Clerk-Recorder ($717,053), Treasurer-Tax Collector ($653,290), Agricultural Commissioner ($555,982), District Attorney ($463,830), Auditor-Controller ($181,011), Clerk of the Board ($128,650), Human Resources ($122,821), Civil Rights ($86,928), Cooperative Extension ($82,035), Economic Development ($68,038), and the Board of Supervisors ($64,398).



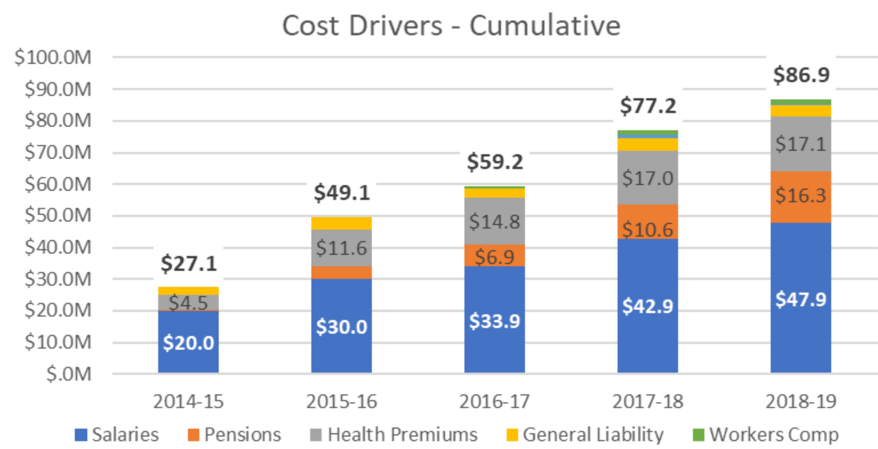

**Expenditures fell $0.9 million below the prior year.** FY 2018-19 is the first year that general fund expenditures dropped compared to the prior year since FY 2012-13, when the County was still dealing with the financial impacts of the Great Recession. Although overall operating expenditures decreased, the general fund still had higher personnel costs compared to the prior year. The year-over-year growth for personnel cost was $14.5 million, with much of that growth due to rising pension costs and the 3.0% raise received by most County employees. More details on cost drivers relating to personnel costs are described in the follow section.

Rising personnel costs were offset by other operating factors, including:

- Transfers to other funds decreased by $17.5 million compared to the prior year mainly due to unused appropriations for capital projects that did not materialize and lower debt service.
- The County no longer had the cost of the Enterprise Resource Planning (ERP) upgrade in FY 2018-19 ($14.1 million was used for the project in FY 2017-18).
- $5.2 million in fewer departmental reimbursements compared to the prior year, largely the result of ITD no longer charging departments for services.
- $3.1 million in additional contracted services compared to the prior year, as a result of increased external vendor activity being managed by the County at WeatherTech Raceway Laguna Seca.

## GENERAL FUND COST DRIVERS

The chart to the right reflects the major cost drivers impacting expenditures on a cumulative basis. Over the past five fiscal years, these cost drivers have grown by $86.9 million. Salaries are the biggest cost driver, growing $47.9 million over the last five fiscal years due to an additional 127.9 full-time equivalent (FTEs) positions and wage increases. Healthcare premium costs have grown by $17.1 million and pension contribution costs have grown $16.3 million cumulatively over this time, including a $5.7 million increase in FY 2018-19. Benefit costs are consuming an increasing share of the employee compensation package. In FY 2018-19, pensions, healthcare premiums, and other post-employment benefits (OPEB) totaled 26% of total compensation compared to 22.1% five years ago. Beyond benefit costs, general liability program allocations have increased by $3.6 million, while workers' compensation funding requirements has increased by $1.7 million cumulatively over the past five years.



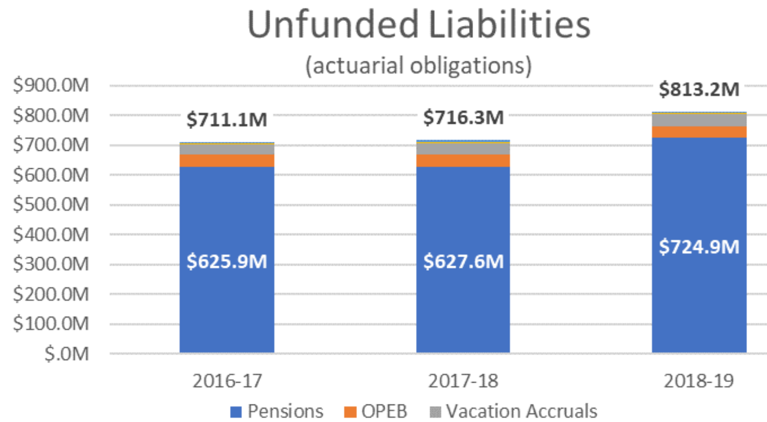

**Salary costs increased $5.0 million over the prior year largely due to MOU wage increases.** Higher salary costs are associated with an increasing workforce and wage increases based on approved MOUs which provided employees in most bargaining units a 3% raise in FY 2018-19. Over the past five years the general fund has absorbed an average annual increase of $7.8 million in salary costs.

**Contributions to CalPERS for employee pensions increased $5.7 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 2018-19, pension contributions made up 12.1% of total employee compensation costs, a 0.7% increase from the prior year.

**General liability, OPEB, and workers' compensation costs increased $1.4 million over the prior year.** 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 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 $813.2 million, a $96.9 million increase from the prior year.




**Unfunded employee pension benefits are the largest liability at $724.9 million.** The County's pension plans provide defined retirement, disability, and death benefits to eligible employees. According to the latest actuarial dated July 2019, the County's total liability is $2.7 billion, with assets of $1.9 billion, resulting in an unfunded liability of $724.9 million. The unfunded liability for the pension plans increased $97.3 million over the previous valuation, or 15.5%. Asset values have not kept 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 significantly increase contribution payments annually from FY 2018-19 through FY 2024-25.

**Unfunded liability of $38.8 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. The County's total liability is $72.8 million, with assets of $34.0 million, resulting in an unfunded liability of $38.8 million. The County makes regular contributions to CERBT based on actuarial valuations obtained every two years.

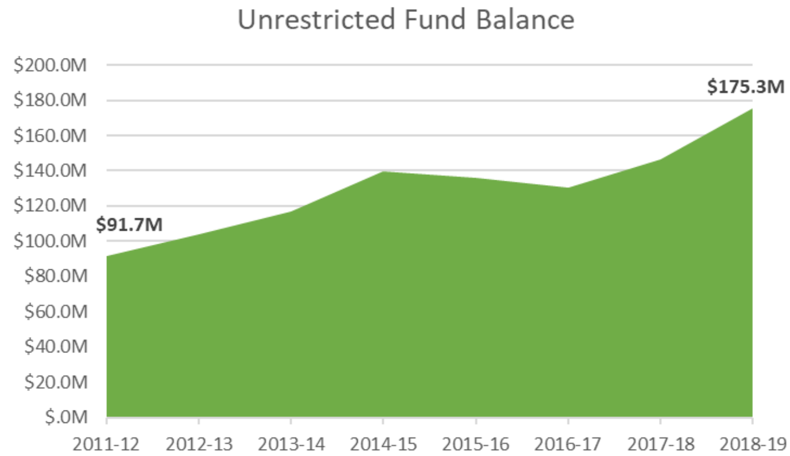
**The unfunded portion of vacation accruals totals $42.6 million, representing the amount owed to employees for compensated time earned but not used.** When an employee separates from the County, the employee is due vacation accruals. In FY 2018-19, vacation accruals totaled $50.7 million. The County has reserved $8.0 million towards this obligation, leaving an unfunded liability of $42.6 million.

**The County's general liability self-insured program currently has an actuarially-determined deficit of $5.6 million**. Funding levels for the general liability insurance program are recommended by the County's actuary and are based upon loss history and future exposure.

The growing unfunded liabilities place 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.

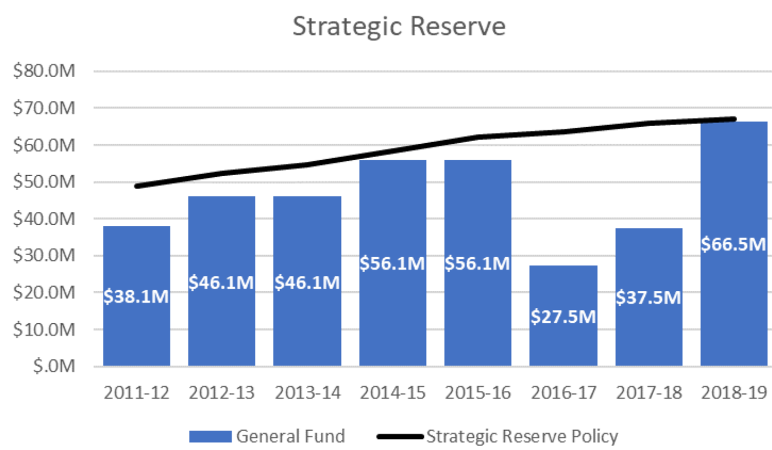
## FUND BALANCE – PLANNING FOR THE FUTURE

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 $91.7 million in FY 2011-12 to an estimated $175.3 million at the end of FY 2018-19.




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.

In FY 2016-17, the County faced wildfires and winter storms that caused damage to infrastructure, affecting services to residents. The Board's strategic investments into the reserve positioned the County to respond quickly to the natural disasters. The chart above reflects use of $28.6 million from the reserve in FY 2016-17 for the disasters and other unplanned events. In accordance with Board policy, staff has used favorable financial performance in recent years to rebuild the reserve. After another year of favorable fiscal management, staff added another $29 million to the strategic reserve, increasing the balance to $66.5 million plus an additional $25.0 million designated for Natividad Medical Center. The $66.5 million reserve for the general fund is currently at 9.9% of general fund estimated revenues, just shy of the 10% policy target.




Other significant County reserves include $21.2 million from cannabis tax revenues, $11.2 million for future building improvement and replacement, $10.5 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.

## S&P UPGRADES THE COUNTY'S GENERAL OBLIGATION (GO) RATING TO AAA

As part of the County's debt management efforts, the County Administrative Office refunded Natividad Medical Center's outstanding Certificates of Participation (COPs) in November. The County's financial management team utilized this refunding opportunity to meet with two rating agencies (Fitch and Standard & Poor's) to present on the County's advantageous financial results. Standard & Poor's upgraded the County's general obligation rating to AAA, which is the highest rating a public agency can achieve. This achievement was made possible through robust management of the County's resources including adherence to strong financial policies and practices.

## LOOKING AHEAD

After weathering the Great Recession, the County's Board of Supervisors seized opportunities from the economic expansion to institutionalize a fiscally conservative culture and best-practice financial policies, adopt structurally balanced annual budgets without use of one-time funds for operating needs, and significantly increase reserves. The expansion has now endured 111 months, well beyond the average of 60 months, and contributed to a long stretch of revenue growth. Decisions made during these "good times" will determine how well the County fares in the next downturn. Continuing a culture of conservative financial management, avoiding ongoing commitment of "peak" revenues, building reserves, and paying down unfunded liabilities is essential to preserving sustainable service levels into the future.

Looking ahead to next fiscal year, County programs will require an estimated increase of $16.4 million to cover the 2% raises in the current year and 3% for next fiscal year. General fund contributions for pensions will increase an estimated $6.6 million next fiscal year (with similar increases in ensuing years), and costs for self-insured general liability and workers compensation programs also increase significantly. Even if solid growth in discretionary revenue continues, it would not be enough to cover these increased costs, leaving cannabis revenue as the remaining source of budgetary flexibility.

## DEPARTMENTAL BUDGET PERFORMANCE

During FY 2018-19, County programs, services, and administrative functions were provided through 25 departments. Twenty-three of these departments receive funding from the County's general fund. Departments and major funds supported outside the General Fund include the Monterey County Free Libraries, the Road Fund, Natividad Medical Center, Parks Lakes & Resorts, and Behavioral Health.

The annual budget approved by the Board of Supervisors 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 allocated discretionary General Fund contributions (GFC). If revenues fall short, departments must 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 eighteen general fund departments ended the fiscal year below budgeted GFC and five exceeded their budgeted GFC. The combined surpluses and deficits resulted in an overall $6.4 million savings. Therefore, overall FY 2018-19 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 budget modifications.

| Dept | General Fund Contributions (GFC): | | | GFC Under/(Over) Budget: | |
|---|---|---|---|---|---|
| | Final Budget | Year-End Estimate | Actual | Estimate to Actual | Budget to (Adjusted) Actual |
| Agricultural Commissioner | $3,603,126 | $3,603,209 | $3,760,677 | ($157,468) | ($157,551) |
| Assessor-County Clerk-Rec. | 4,952,440 | 5,062,961 | 4,646,063 | 416,898 | 306,377 |
| Auditor-Controller (Deptl) | 141,701 | 12,384 | (39,310) | 51,694 | 181,011 |
| Board of Supervisors | 3,992,324 | 3,925,637 | 3,927,926 | (2,289) | 64,398 |
| Child Support Services | 0 | 0 | 436,708 | (436,708) | (436,708) |
| Civil Rights Office | 130,570 | 87,263 | 43,642 | 43,621 | 86,928 |
| Clerk of the Board | 892,793 | 830,894 | 764,143 | 66,751 | 128,650 |
| Cooperative Extension Service | 388,101 | 356,039 | 306,066 | 49,973 | 82,035 |
| County Admin Office (Departl) | 3,228,315 | 2,429,158 | 313,372 | 2,115,786 | 2,914,943 |
| County Counsel | 1,448,257 | 990,685 | 48,689 | 941,996 | 1,399,568 |
| District Attorney | 11,548,447 | 10,638,855 | 13,358,581 | (2,719,726) | (1,810,134) |
| Economic Development | 2,876,142 | 2,876,689 | 2,808,104 | 68,585 | 68,038 |
| Elections | 2,999,243 | 2,998,297 | 1,732,210 | 1,266,087 | 717,033 |
| Emergency Communications | 1,760,528 | 1,858,407 | 380,238 | 1,478,169 | 1,030,290 |
| Health | 7,642,161 | 4,238,994 | 11,843,663 | (7,604,669) | 311,094 |
| Human Resources | (728,511) | (948,005) | (851,332) | (96,673) | 122,821 |
| Information Technology | 16,500,656 | 16,493,877 | 13,242,698 | 3,251,179 | 3,257,958 |
| Probation | 23,135,611 | 23,122,034 | 23,089,106 | 32,928 | 46,505 |
| Public Defender | 11,891,494 | 12,010,402 | 10,541,686 | 1,468,716 | 1,349,808 |
| Resource Management Agency | 14,359,480 | 14,731,396 | 12,281,015 | 2,450,381 | 665,404 |
| Sheriff-Coroner | 66,712,536 | 66,528,285 | 68,925,413 | (2,397,128) | (2,212,877) |
| Social Services | 14,613,729 | 14,195,249 | 15,365,860 | (1,170,611) | (2,169,595) |
| Treasurer-Tax Collector | 1,399,860 | 1,395,157 | 967,995 | 427,162 | 431,865 |
| **General Fund Department Totals [1]** | **$193,489,003** | **$187,437,867** | **$187,893,213** | **($455,346)** | **$6,377,861** |

[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 | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $11,751,824 | $11,268,222 | $11,195,842 |
| Revenues | 8,148,698 | 7,665,013 | 7,435,165 |
| GFC (Exp. - Rev.) | 3,603,126 | 3,603,209 | 3,760,677 |
| GFC Final Budget versus Actual: | | Deficit | -157,551 |

- The Agricultural Commissioner's year-end expenditures were $555,982 below budget mostly attributed to a decrease in activity in the Produce Inspection unit, resulting in a corresponding decrease in revenue.
- The Department had a GFC deficit of $157,551 due primarily to the timing of receipts including $162,500 from the State associated with pest detection activity. The Department anticipates receiving this revenue by December 2019.
- The Department's budget included $286,320 in appropriations for 2.5 positions funded with cannabis tax revenue. Due to position vacancies, unused cannabis appropriations totaled $156,438. Had these appropriations been used, the Department's deficit would have been greater.

**Assessor-County Clerk-Recorder**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $9,192,440 | $8,835,005 | $8,420,070 |
| Revenues | 4,240,000 | 3,772,044 | 3,774,007 |
| GFC (Exp. - Rev.) | 4,952,440 | 5,062,961 | 4,646,063 |
| GFC Final Budget versus Actual: | | Surplus | 306,377 |

- The Office of the Assessor-County Clerk-Recorder had a GFC surplus of $306,377 due primarily to salary savings from vacant positions ($717,053) and an application upgrade project not reaching a payment milestone ($55,317).
- Savings in expenditures were partially offset with lower than anticipated assessment ($157,752) and recording fees ($308,241).

**Auditor-Controller (Departmental)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $642,548 | $513,231 | $458,040 |
| Revenues | 500,847 | 500,847 | 497,350 |
| GFC (Exp. - Rev.) | 141,701 | 12,384 | -39,310 |
| GFC Final Budget versus Actual: | | Surplus | 181,011 |

- The Auditor-Controller departmental operations ended with a surplus of $181,011 primarily due to savings from position vacancies occurring throughout the year.

**Auditor-Controller (Non-Departmental)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $45,261 | $59,116 | $19,052 |
| Revenues | 0 | 0 | 0 |
| GFC (Exp. - Rev.) | 45,261 | 59,116 | 19,052 |
| GFC Final Budget versus Actual: | | **Surplus** | 26,209 |

- 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.
- Year-end actuals reflect a GFC surplus of $26,209 due to lower audit costs.

**Board of Supervisors**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $3,992,324 | $3,925,637 | $3,927,926 |
| Revenues | 0 | 0 | 0 |
| GFC (Exp. - Rev.) | 3,992,324 | 3,925,637 | 3,927,926 |
| GFC Final Budget versus Actual: | | **Surplus** | 64,398 |

- The Board of Supervisors budget funds the five individual district offices, as well as an operational unit for general Board expenditures.
- The Board ended the fiscal year with a surplus of $64,398 due primarily to salary savings due to staffing changes.

**Child Support Services**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $11,145,527 | $10,267,942 | $10,590,050 |
| Revenues | 11,145,527 | 10,267,942 | 10,153,341 |
| GFC (Exp. - Rev.) | 0 | 0 | 436,708 |
| GFC Final Budget versus Actual: | | **Deficit** | -436,708 |

- The Department of Child Support Services is funded entirely through State and federal subventions.
- Year-end expenditures savings of $555,477 were mostly attributed to vacant positions.
- Revenues were $992,186 lower than budget due to lower reimbursable costs.
- The resulting deficit of $436,709 is mostly attributed to the State's policy where fixed assets must be depreciated over a period of five years. The Department purchased new cubicles in the amount of $415,917 and a cameras/badge system in the amount of $91,119. In FY 2018-19, $101,407 of the fixed asset could be claimed and recognized as revenue. The remaining $405,629 will be claimed and recognized as revenue over the next four years.

**Civil Rights Office**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $130,570 | $87,263 | $43,642 |
| Revenues | 0 | 0 | 0 |
| GFC (Exp. - Rev.) | 130,570 | 87,263 | 43,642 |
| GFC Final Budget versus Actual: | | **Surplus** | 86,928 |

- The Civil Rights Office's resulting year-end GFC surplus is $86,928. The surplus is attributed mostly to salary savings from a vacant position, in addition to savings from developing and conducting training and conducting workplace investigations in-house with existing staff, instead of a through a contractor.

**Clerk of the Board**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $912,793 | $850,999 | $783,508 |
| Revenues | 20,000 | 20,105 | 19,365 |
| GFC (Exp. - Rev.) | 892,793 | 830,894 | 764,143 |
| GFC Final Budget versus Actual: | | **Surplus** | 128,650 |

- The Clerk of the Board ended the fiscal year with a GFC surplus of $128,650 largely due to salary savings from a vacant position, a decrease in publication notices, and a change in vendors for interpreter services.

**Cooperative Extension Services**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $421,034 | $372,695 | $317,288 |
| Revenues | 32,933 | 16,656 | 11,222 |
| GFC (Exp. - Rev.) | 388,101 | 356,039 | 306,066 |
| GFC Final Budget versus Actual: | | **Surplus** | 82,035 |

- Cooperative Extension Services ended the year with a GFC surplus of $82,035 due to salary savings from a position vacancy and savings in fleet services costs.
- The Department estimated $32,933 in revenue for its reimbursed programs from the University of California of which $11,222 in revenues were collected to cover the salary of a part-time FTE.

**County Administrative Office - Departmental**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $4,186,681 | $3,191,060 | $901,827 |
| Revenues | 958,366 | 761,902 | 588,455 |
| GFC (Exp. - Rev.) | 3,228,315 | 2,429,158 | 313,372 |
| GFC Final Budget versus Actual: | | **Surplus** | 2,914,943 |

- County Administrative Office departmental operations include Finance and Administration, Budget and Analysis, Contracts/Purchasing, Fleet Management, Intergovernmental & Legislative Affairs, Office of Community Engagement & Strategic Advocacy, Records Retention, and Office of Emergency Services.
- The departmental operations ended the year with a combined budget surplus of $2.9 million primarily due to Fleet interdepartmental charges collected for fuel & vehicle maintenance. Fleet charges collected totaled $5.2 million, surpassing budgeted expectations by $2.9 million.

**County Administrative Office - Non-Departmental**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $72,119,031 | $68,546,502 | $59,574,579 |
| Revenues | 240,645,846 | 245,760,796 | 276,222,516 |
| GFC (Exp. - Rev.) | -168,526,815 | -177,214,294 | -216,647,936 |
| GFC Final Budget versus Actual: | | **Surplus** | 48,121,121 |

- 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 obligations; vehicle asset management program, and the County's non-program revenue.
- CAO non-departmental units ended the year with a budget surplus of $48.1 million. Significant factors driving the surplus include:
  - The County collected $15.4 million in cannabis revenue compared to commitments of $11.2M, resulting in the addition of $4.2M to the cannabis fund balance assignment;
  - Sales and use tax and transient occupancy tax (TOT) exceeded budget expectations by $3.2 million and $6.7 million, respectively;
  - Rising interest rates increased investment income $3 million more than expected; and
  - The general fund received $1.1 million in disaster reimbursements from the state and federal government for the Soberanes fire and winter storm repairs.
  - $15.2 million lower-than-planned transfers to other funds primarily due to $8.2 million originally budgeted for Laguna Seca capital projects not transferred out and reduced debt service.

**County Counsel**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $1,708,257 | $1,297,025 | $506,680 |
| Revenues | 260,000 | 306,340 | 457,991 |
| GFC (Exp. - Rev.) | 1,448,257 | 990,685 | 48,689 |
| GFC Final Budget versus Actual: | | **Surplus** | 1,399,568 |

- County Counsel ended fiscal year with a surplus of $1.4 million primarily due to unexpected salary savings from vacancies, additional revenue from external clients, and unused appropriations resulting from the Lake San Antonio remediation project that is being carried over into FY 2019-20.

**District Attorney**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $26,644,493 | $25,461,709 | $25,942,469 |
| Revenues | 15,096,046 | 14,822,854 | 12,583,889 |
| GFC (Exp. - Rev.) | 11,548,447 | 10,638,855 | 13,358,581 |
| GFC Final Budget versus Actual: | | Deficit | -1,810,134 |

- The Office of the District Attorney (DA) ended the year $702,024 below budgeted expenditures, primarily due to salary savings and lower victim relocation and investigative costs. The year-end General Fund Contribution is a deficit of $1.8 million, primarily due to revenue shortfalls and employee separations and resulting leave accrual payouts. Additionally, restricted equity funds of $396,117 were not recognized in time for year-end close. The Department plans to release these equity funds in FY 2019-20.
- Several key departmental revenue sources were unexpectedly lower than prior years including sales tax, public safety realignment and grant funding for prison cases. The Civil Unit's settlement fines (Proposition 64) were approximately 36% ($1.1 million) below budget estimates. An analysis of these revenues has demonstrated a need to change the funding model. The DA will work closely with the budget office in this review.
- The DA was budgeted to repay $201,692 to the general fund for expenditures that were meant to be covered by civil revenues in FY 2015-16. Due to the current year deficit, the Department did not reimburse the general fund.
- The DA underspent its cannabis allocation by $125,508. Had the full allocation been utilized the department would have recognized a greater deficit.

**Economic Development**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $2,876,142 | $2,876,689 | $2,810,604 |
| Revenues | 0 | 0 | 2,500 |
| GFC (Exp. - Rev.) | 2,876,142 | 2,876,689 | 2,808,104 |
| GFC Final Budget versus Actual: | | Surplus | 68,038 |

- The Economic Development Department recognized a positive GFC balance of $68,038, due to salary savings as the Housing Program Manager position was not filled until February 2019.

**Elections**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $4,155,378 | $4,157,632 | $3,662,061 |
| Revenues | 1,156,135 | 1,159,335 | 1,929,851 |
| GFC (Exp. - Rev.) | 2,999,243 | 2,998,297 | 1,732,210 |
| GFC Final Budget versus Actual: | | Surplus | 1,267,033 |
| Transferred to Restricted Fund Balance: | | | 550,000 |
| Adjusted Financial Result: | | Surplus | 717,033 |

- Year-end actuals for Elections included $3.7 million in expenditures, $1.9 million in revenue and a general fund contribution of $1.7 million. Expenditure were $493,317 below budget and revenues were $773,716 higher than budget, resulting in a year-end GFC surplus of $1.3 million.
- Of the $1.3 million surplus, $550,000 was reserved to cover future election machine replacement or updates, resulting in an adjusted surplus of $717,033.
- The budget was forecasted based on all potential contests going to ballot. However, in the November 2018 election, not all districts had measures or candidates on the ballot, which resulted in expenditures savings in ballot printing services and temporary employees. These savings were partially offset by higher-than-planned costs for salaries.
- Additional revenues of $773,716 were mostly attributed to election associated costs reimbursed by local jurisdictions with no County measures or candidates.

**Emergency Communications**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $12,120,645 | $12,286,887 | $11,476,020 |
| Revenues | 10,360,117 | 10,428,480 | 11,095,782 |
| GFC (Exp. - Rev.) | 1,760,528 | 1,858,407 | 380,238 |
| GFC Final Budget versus Actual: | | Surplus | 1,380,290 |
| Transferred to restricted Fund Balance: | | | 350,000 |
| Adjusted Financial Result | | Surplus | 1,030,290 |

- Year-end expenditures for Emergency Communications were $11.5 million or $644,625 lower than budget, primarily due to lower than anticipated ITD charges and equipment purchases that were delayed.
- The Department ended the year with total revenues of $11.1 million, or $736,665 higher than budgeted. The main reason for the above-budget revenues was due to collection revenue that did not meet the posting deadline in the prior year (FY 2017-18), and improvement in the timely collection of current year revenues.
- The Department billed out a supplemental reserve payment to all agencies in the amount of $350,000 further improving the revenue. The County's share of the reserve is $105,000.
- Due to the lower expenditures and higher than budgeted revenues, the Emergency Communications Department ended the year with a GFC surplus $1.0 million, after the transfer of $350,000 to restricted fund balance for the supplemental funds to be utilized for future equipment and replacement needs.
- During the year-end analysis, the Department identified that it had billed user agencies for reserve contributions totaling $1.4 million in prior years ($350,000 annually beginning in FY 2014-15), which were not appropriately restricted and instead became part of the overall general fund. However, the Department's analysis indicates that there were additional billing errors in these fiscal years which resulted in under collection for dispatch services. The Department's reconciliation indicated a net amount owed to user agencies of $277,226.99. Staff will be working with the Department to verify its reconciliation and recommend budget actions as appropriate.
- The Department is now operating under a special revenue fund (effective FY 2019-20) and is requesting that existing departmental restricted fund balance in the amount of $485,334.27 (001-3042-ECRF) also be transferred to the special revenue fund.

**Health**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $100,198,903 | $90,309,283 | $85,847,095 |
| Revenues | 92,556,742 | 86,070,289 | 74,003,432 |
| GFC (Exp. - Rev.) | 7,642,161 | 4,238,994 | 11,843,663 |
| GFC Final Budget versus Actual: | | **Deficit** | -4,201,502 |
| Understated Revenue: | | | 635,289 |
| Adjustments: | | | 3,877,307 |
| Adjusted Final Result | | **Surplus** | 311,094 |

- The Health Department's expenditures were $14.4 million below budget due primarily to a vacancy rate of 18.9% generating $14.3 million in savings. Vacancies were more pronounced in Primary Care Clinics ($9.6 million) due to staffing challenges at the recently expanded Seaside and Laurel Primary Care clinics. The vacancy rate in other areas of the Department resulted in unused appropriations of $4.7 million. Decreases in other expenditures impacted by vacancies were offset by an increase in liability payments made to the State.
- Year-end revenue was $74.0 million, $18.6 million lower than budgeted. However, revenue was understated by $635,289 due to a processing correction. Excluding restricted revenue, revenues were lower than the budget due to vacancies of revenue generating-positions in Primary Care clinics.
- Revenues and expenses were affected by one-time transactions resulting in a net $3.9 million adjustment:
- Expenses included a liability payment of $8.4 million to the State for FY 2015-16 ($4.0 million) and FY 2016-17 ($4.4 million). As of March 2015, some Central California Alliance for Health members were moved from fee-for-service to capitation with the State performing yearly reconciliations for which any overpayments found by the State must be returned. Funds were released from restricted funds set aside the previous fiscal year.
- Transfers to restricted funds totaling $4.5 million as follows: $4.4 for future liability to the State and $141,203 in unused Public Health restricted funds.
- The Health Department ended with $311,094 surplus as an adjusted result.

**Human Resources**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | -$728,511 | -$948,005 | -$851,332 |
| Revenues | 0 | 0 | 0 |
| GFC (Exp. - Rev.) | -728,511 | -948,005 | -851,332 |
| GFC Final Budget versus Actual: | | **Surplus** | 122,821 |

- The Human Resources Department ended the year with a surplus of $122,821 resulting from two manager positions being vacant during the second half of the year.

**Information Technology**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $17,317,409 | $17,233,877 | $14,259,950 |
| Revenues | 816,753 | 740,000 | 1,553,027 |
| GFC (Exp. - Rev.) | 16,500,656 | 16,493,877 | 12,706,923 |
| GFC Final Budget versus Actual: | | Surplus | 3,793,733 |
| Transferred to Restricted Fund Balance | | | 535,775 |
| Adjusted Final Result | | Surplus | 3,257,958 |

- The ITD's expenditures of $14.3 million were derived from $25.8 million of operational expenditures less internal County customer reimbursements of $11.5 million.
- Actual revenue was $1.6 million, $736,274 above budget, due to additional franchise fee income and recognition of restricted Public, Educational, and Government (PEG) fees. Of the $736,274 in additional income, $535,775 was transferred at year-end into restricted fund balance.
- Actual to budgeted GFC reflects an adjusted surplus of $3.2 million. The surplus is due to $1.1 million in salary savings from unplanned vacancies, $1.0 million less than budgeted costs for vendor and services costs, $1.0 million in additional internal County reimbursements, and $200,000 in additional operating revenue.

**Probation**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $49,629,521 | $49,615,944 | $47,250,333 |
| Revenues | 26,493,910 | 26,493,910 | 24,161,227 |
| GFC (Exp. - Rev.) | 23,135,611 | 23,122,034 | 23,089,106 |
| GFC Final Budget versus Actual: | | Surplus | 46,505 |

- The Probation Department's expenditures were $2.4 million below budget, primarily due to $1.8 million of expenditures for staffing and services that were budgeted but not realized for grant and State programs, $405,462 in savings associated with the Department's management of vacancies and overtime expenditures and savings of $237,827 in supplies and services.
- Actual revenues were $2.3 million below budget, of which $1.8 million correlates to lower than expected reimbursable costs for Public Safety Realignment and reentry programs. Lower revenue was also associated with a reduced eligibility rate for the Title IV-E Program and lower service fees collections.
- The Department ended the year with a GFC surplus of $46,505.

**Public Defender**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $13,051,840 | $13,284,074 | $12,135,080 |
| Revenues | 1,160,346 | 1,273,672 | 1,593,394 |
| GFC (Exp. - Rev.) | 11,891,494 | 12,010,402 | 10,541,686 |
| GFC Final Budget versus Actual: | | Surplus | 1,349,808 |

- The Public Defender Department's expenditures totaled $12.1 million, $916,760 below budget, as a result of salary savings from vacancies and lower than anticipated trial-related expenses.
- Year-end revenue was $1.6 million, $433,048 above budget, and were attributed to higher grants and collection of State prison reimbursements.
- The Department recognized a GFC surplus of $1.3 million.

**Resource Management Agency**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $29,006,155 | $26,213,651 | $24,060,285 |
| Revenues | 14,646,675 | 11,482,255 | 11,779,270 |
| GFC (Exp. - Rev.) | 14,359,480 | 14,731,396 | 12,281,015 |
| GFC Final Budget versus Actual: | | Surplus | 2,078,465 |
| Transferred to Restricted Fund Balance: | | | 1,413,061 |
| Adjusted Final Result: | | Surplus | 665,404 |

- The Resource Management Agency's expenditures were $4.9 million below budget due to vacancies and lower building maintenance and utility costs. Vacancies resulted in salary and benefit savings of $3.1 million. Building maintenance and utility costs were below budget by $1.2 million, as the Schilling building costs were lower than anticipated and electricity costs were down due to new utility credits.
- Actual revenues fell short of budget by $2.9 million due primarily to a decrease in permit and fee revenue of $4.3 million. The postponement of a fee study and a reduction in building permits issued resulted in the reduced fee and permit revenue. Reduced revenues were offset by an increase from the one-time recognition of deposit revenue of $1.6 million mostly for planning projects and parks fees.
- The Department ended with a GFC surplus of $2.1 million of which $1.4 million was transferred to restricted fund balance, due to the restricted uses pertaining to the earned revenue, resulting in a net GFC surplus of $665,404.

**Sheriff-Coroner**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $105,895,710 | $104,676,141 | $105,877,971 |
| Revenues | 39,183,174 | 38,147,856 | 36,952,558 |
| GFC (Exp. - Rev.) | 66,712,536 | 66,528,285 | 68,925,413 |
| GFC Final Budget versus Actual: | | Deficit | -2,212,877 |

- The Sheriff's Office exceeded its original appropriations by $184,251 and required an augmentation in general fund contingency appropriations. The main factors contributing to this were $625,000 in unplanned retirement and separation payouts, $190,000 in retiree health insurance benefits and $306,000 in temporary staffing costs.
- Salary savings totaled $3.1 million due to turnover and retirements, offset by overtime expenditures running over budget by $3.0 million. Overtime expenditures totaled $7.6 million, similar to prior years.
- The Sheriff's Office was able to absorb most of the overruns with unused appropriations in programs that had lower expenditures, such as the cannabis program, AB 109 program, and court security.
- The Sheriff-Coroner's year-end revenue was $2.2 million below budget attributed to lower expenditures in reimbursable programs such as court security service, the inmate welfare program, and the AB 109 program. The

revenue shortage was also impacted by $681,650 in accrued revenue that was not received in time to be recognized in FY 2018-19.

- Based on the above factors, the Sheriff-Coroner ended the fiscal year with a GFC deficit of $2,212,877.

**Social Services**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $205,760,272 | $203,676,268 | $190,564,395 |
| Revenues | 191,146,543 | 189,481,019 | 175,198,536 |
| GFC (Exp. - Rev.) | 14,613,729 | 14,195,249 | 15,365,860 |
| GFC Final Budget versus Actual: | | **Deficit** | -752,131 |
| Transferred to Restricted Fund Balance: | | | 1,681,603 |
| Use of Unassigned GFC to close Fund 007: | | | 264,139 |
| Adjusted Financial Result: | | **Deficit** | -2,169,596 |

- The Department of Social Services' (DSS) year-end expenditures totaled $190.6 million, $15.2 million below budget. Reduced expenditures were due to a decrease in client aid within the CalWORKs entitlement programs, and savings attributed to prolonged staff vacancies due to hiring challenges.
- Year-end revenues were $175.2 million, $16.0 million below budget, which correlates with the reduction of reimbursable costs, insufficient administrative advances, delays for Medi-Cal program reimbursements, and unbudgeted IT charges for the Workforce Innovation and Opportunity Act program.
- $1.7 million in grants and program-specific revenue was transferred to restricted funds.
- A long-standing negative balance in the Office for Employment Training (OET) Fund was addressed with $264,139 of unassigned general fund monies to close the Office of Employment Training program. The Department lost the funding to administer this program in a competitive bidding process in April 2019.
- Due to delays in receiving revenues, the Department exceeded its allocation of discretionary GFC by $2.2 million.

**Treasurer-Tax Collector**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Expenditures | $8,017,504 | $7,602,944 | $7,081,120 |
| Revenues | 6,617,644 | 6,207,787 | 6,113,124 |
| GFC (Exp. - Rev.) | 1,399,860 | 1,395,157 | 967,995 |
| GFC Final Budget versus Actual: | | **Surplus** | 431,865 |

- The Office of the Treasurer-Tax Collector's year-end expenditures total $7.1 million, underspending appropriations by $1.0 million due to vacancies and delays in new recruitments.
- Year-end revenue of $6.1 million was $504,520 below budget due to the lower level of reimbursable expenditures.
- The Office recognized a positive GFC balance of $431,865 due to the reduced expenditures.

**OTHER FUNDS**

**Road Fund (002)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Beginning Fund Balance | 10,153,628 | 10,153,628 | 10,153,628 |
| Revenue | 38,300,306 | 58,992,350 | 40,678,414 |
| Total Financing Sources | 48,453,934 | 69,145,978 | 50,832,042 |
| Expenditures | 37,914,004 | 45,977,597 | 33,279,940 |
| Total Financing Uses | 37,914,004 | 45,977,597 | 33,279,940 |
| Ending Fund Balance | 10,539,930 | 23,168,381 | 17,552,102 |

- 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 projects.
- Road Fund expenditures totaled $33.3 million and were $4.6 million below budget due to the Davis Road Bridge and Hartnell Road Bridge being delayed until 2020.
- Road Fund revenues were $40.6 million, which was $2.3 million higher than budget due to favorable receipts in Measure X and SB 1 revenues.
- The Road fund is projected to end with a positive $17.6 million largely attributable to its two new revenue streams, Measure X and SB 1. Several projects identified to use these new funds were deferred, again as the winter storm repairs took priority, such as the Palo Colorado Milepost 3.3, Hall Road at Sill Road slope repairs, and San Juan Road west of Aromas.

**Monterey County Free Library (Fund 003)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Beginning Fund Balance | $1,011,886 | $1,011,886 | 1,011,886 |
| Revenue | 10,282,278 | 10,084,646 | 10,021,707 |
| Total Financing Sources | $11,294,164 | $11,096,532 | $11,033,593 |
| Expenditures | 10,273,287 | 10,258,679 | 9,159,522 |
| Total Financing Uses | $10,273,287 | $10,258,679 | $9,159,522 |
| Ending Fund Balance | $1,020,877 | $837,853 | $1,874,071 |

- Monterey County Free Library's (MCFL) expenditures at year-end were $9.2 million, $1.1 million below budget. Expenditures were lower due to staff vacancies, and lower IT service-related charges, communication charges, and buildings maintenance costs.
- Year-end revenues were $260,571 below budget due to lower-than-estimated current secured property taxes and library services revenue.

- MCFL ended the year with a net gain of $862,185, resulting in a final fund balance of $1.9 million.

**Behavioral Health Fund (Fund 023)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Beginning Fund Balance | $42,651,110 | $42,651,110 | $42,651,110 |
| Revenue | 130,648,754 | 124,276,207 | 124,169,114 |
| Cancellation of Assign. | 0 | 0 | 0 |
| Total Financing Sources | 173,299,864 | 166,927,317 | 166,820,224 |
| Expenditures | 132,585,080 | 120,517,088 | 124,277,878 |
| Provisions for Assign. | 0 | 0 | 8,400,000 |
| Total Financing Uses | $132,585,080 | $120,517,088 | 132,677,878 |
| Ending Fund Balance | $40,714,784 | $46,410,229 | 34,142,346 |

- Behavioral Health Fund expenditures were $8.3 million below budget primarily due to lower-than-anticipated expenses in capital projects and operating transfers-out. Capital improvements costs were lower due to delays in the HVAC system upgrade project at the Marina clinic. Not all aspects of the Whole Person Care program were implemented resulting in lower transfers to the program.
- Actual revenues were lower-than-budget by $6.5 primarily due to lower expenses in revenue generating programs within the Whole Person Care and delays in payments from the State for the Mental Health Medi-Cal Program.
- The fund balance was reduced by $109,000 resulting in an ending balance of $42.5 million of which $34.1 million is unassigned and $8.4 is assigned for potential future Medi-Cal program settlement costs. Revenue in the amount of $10.4 million earned in FY 2018-19 was not received during the accrual period. Had it been received the ending fund balance would have been $44.5 million.

**Parks - Lakes Resorts (Fund 452)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Beginning Fund Balance | -$3,651,965 | -$3,651,956 | -$3,384,569 |
| Revenue | 6,027,418 | 8,088,928 | 7,376,293 |
| Total Financing Sources | $6,027,418 | $8,088,928 | $7,376,293 |
| Expenditures | 5,989,559 | 5,720,647 | 6,724,624 |
| Total Financing Uses | $5,989,559 | $5,720,647 | $6,724,624 |
| Change in Fund Balance | $37,859 | $2,368,281 | $651,669 |
| Restricted Fund Balance | $0 | $0 | $200,000 |
| Ending Fund Balance | -$3,614,106 | -$1,283,675 | -$2,732,900 |

- The Parks Lake and Resort Operations enterprise fund's actual expenditures exceeded budget by $735,065, primarily due to increased operating costs, emergency repairs, and drafting the of the Lakes Business Plan. Basecamp, the management company that operates the Lakes, incurred costs that exceeded the County's budget.

There were additional staff and vendor costs for emergency building, sewer, and water systems repairs; preventative fire hazard cleanup of the grounds; and, emergency electrical repairs and maintenance. Also contributing to the net loss were staff costs associated with drafting the Lakes Business Plan.

- Revenues of $7.4 million included a $2.2 million transfer from the appropriation for contingencies to cover the prior year's deficit and provide operational cash and $711,240 General Fund subsidy for debt payment. (Additionally, a $2.2 million temporary cash flow loan was provided to the Lakes fund for FY 2018-19.) The Lakes operating revenue of $4.4 million, was nearly $1.0 million below budget as a result of declining attendance due to low water levels and the cancellation of three special events with estimated revenues of $434,405; Lightning in a Bottle, Wildflower, and Dirty Bird. Nacimiento experienced a 40% drop in water capacity from July 2017 to July 2018, and the number of visitors declined by 21,632 or 23%.
- Overall, the Parks Lake and Resort Operations fund balance is estimated to increase by $663,540; however, this includes the $2.2 million subsidy. Absent the subsidy, fund balance would have decreased by $1.6 million. RMA states it will be requesting a General Fund subsidy to cover the costs of operating the Lakes.
- Several factors contribute to the Lakes operating in a deficit, including the reliance on the reservoir levels for recreational purposes, the unpredictability of the annual weather cycle, and unprofitable scale of operations at Lake San Antonio. To reduce the need for annual subsidies, RMA has negotiated a new agreement for management services for Lake Nacimiento and transferred Lake San Antonio North and South Shores to the General Fund to be operated as a regional park.

**Natividad Medical Center (Fund 451)**

| | Final Budget | Year-End Estimate | 2018-19 Actual |
|---|---|---|---|
| Beginning Fund Balance | 59,810,393 | 59,810,393 | 59,810,393 |
| Revenue | 300,209,256 | 330,476,865 | 326,814,610 |
| Total Financing Sources | $360,019,649 | $390,287,258 | $386,625,003 |
| Expenditures | 285,775,668 | 295,886,657 | 301,157,514 |
| Total Financing Uses | $285,775,668 | $295,886,657 | $301,157,514 |
| Change in Net Assets | 14,433,588 | 34,590,208 | 25,657,096 |
| Ending Fund Balance | $74,243,981 | $94,400,601 | $85,467,489 |

- In FY 2018-19, Natividad's enterprise fund operations were favorable, increasing the fund's fund balance. The primary driver for growth in revenue was increased patient (inpatient and outpatient) volumes and the type of payments (payer mix) received for services rendered.
- Actual revenues were $326.8 million, exceeding budget by $26.6 million, or 8.9%, as a result of an increase in the volume of patient services and a favorable payor mix. Also, Natividad received funds that exceeded preliminary estimates for supplemental Medi-Cal payments to public hospitals.
- Actual expenditures were $301.2 million, an unfavorable variance of $15.4 million, or 5.4%. The main drivers of increased expenses were in staffing, resulting from increased patient volume and increasing wages and benefit costs.
- The hospital's net position is estimated to increase by $25.7 million.