Monterey County Financial Forecast

March 2020

Introduction

The County Administrative Office is pleased to present the financial forecast for the County of Monterey. The forecast is the first step of the annual budget development cycle, which concludes with the adoption of a balanced budget by July 1 of each year. To meet this timeline, staff conducts a comprehensive mid-year review of planned spending and anticipated revenues for the current fiscal year, budget year (FY 2020-21), and two additional years. The result of this review is an assessment of the County's financial condition, emerging needs, and expected fiscal capacity to meet those needs.

Approach and Assumptions

The forecast is an analysis of estimated revenues and costs for existing levels of staffing and services within the context of current statutes and policies. A forecast is different than a budget. In forecasting, departments estimate "normal" cost of operations, which generally include the filling of vacancies and current level of discretionary spending. Developing a three-year forecast provides a window of opportunity to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure financial sustainability of the County. Similarly, the forecast also serves as a tool for the upcoming budget to assess the impact that decisions made in the present, such as considering a new revenue source or the funding of a new program, will have on future fiscal balance.

The forecast includes employee salary and benefits changes as authorized under existing memorandums of understanding (MOUs) and scheduled employee step advances. The forecast also takes into consideration known increases in PERS retirement rates and health insurance premiums. Revenue estimates are based on the most recent financial data and available information about federal and State funding levels. The forecast compares expenditures required to carry out existing operations related to estimated financing sources. This analysis is a key financial management tool to guide the upcoming budget process and help preserve long-term financial stability.

General Fund Outlook through 2022-23

	FY 2018-19	FY 2019-20			FY 2020-21	FY 2021-22	FY 2022-23
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Financing Sources:							
Beg. Unassigned Fund Balance	$ 3.9	$ 1.3	$ 1.3	$ 1.3	$ -	$ -	$ -
Cancellation of Restricted Fund Balance	8.7	4.6	4.6	4.6	-	-	-
Cancellation of Assignments	18.9	11.7	12.1	10.8	-	-	-
Revenues	656.1	669.8	672.4	666.8	684.0	698.3	706.3
Total Financing Sources	**$ 687.5**	**$ 687.5**	**$ 690.5**	**$ 683.6**	**$ 684.0**	**$ 698.3**	**$ 706.3**
Financing Uses:							
Restricted Fund Balance	$ 9.2	$ -	$ -	$ 2.7	$ -	$ -	$ -
Assignments	20.3	-	-	9.9	-	-	-
Strategic Reserve	29.0	-	-	-	-	-	-
Expenditures	626.7	687.5	690.5	664.4	715.0	739.2	758.2
Adjustment - Est Salary Savings	-	-	-	-	*(10.5)*	*(10.8)*	*(11.1)*
Total Financing Uses	**$ 685.1**	**$ 687.5**	**$ 690.5**	**$ 677.0**	**$ 704.5**	**$ 728.4**	**$ 747.1**
Ending unassigned fund balance	**$ 2.4**	**$ -**	**$ -**	**$ 7.6**	**$ (20.5)**	**$ (30.1)**	**$ (40.8)**

Prior year performance results in an operating surplus and investments in County reserves. Through the Board's leadership, and departments' responsible financial oversight, the general fund ended the prior year with an operating surplus. The Board judiciously invested this surplus by adding $29.0 million to the Strategic Reserve and nearly meeting the Board's policy of setting aside 10% of estimated general fund revenue. An additional $13.2 million was added towards the cannabis assignment. Investments in the County's reserves are a strong indicator of the County's commitment to weathering future unforeseen events and meet emerging needs. While the prior year ended in a surplus, the unassigned fund balance includes $1.3 million that was obligated in the FY 2019-20 adopted budget to fund one-time expenditures. Therefore, only $1.1 million of the unassigned fund balance is truly available in the current year.

Positive results are expected in the current year. The responsible stewardship of County departments is evident in the current year, with the County forecasting a $7.6 million improvement compared to budget. Departments expect to end the current year with expenditures $26.1 million below budget with a decrease in estimated year-end revenues of $5.6 million. The decrease in expenditures is mostly due to salary savings for vacant positions. To the extent departments do not fill positions this also decreases reimbursement-based revenues from federal and State agencies. The forecast assumes $2.7 million will be transferred to restricted fund balance at year-end due to funding constraints associated with these monies and $9.9 million in additional uncommitted cannabis revenue moved to the Cannabis assignment.

PERS rate increases continue to drive deficits in Departmental forecasts. Department forecasts generally assume vacancies are filled, resulting in increased salary and benefit costs projections. A comparison of budgeted versus actual salary costs illustrates that in reality savings consistently occur due to attrition and turnover. As such, the County Administrative Office (CAO) again added a salary savings adjustment that lowers overall projected expenditures by $10.5 million to $11.1 million annually by the end of the forecast period. After making the salary adjustment, the forecast reveals a forecasted deficit of $20.5 million next fiscal year, growing to $40.8 million by FY 2022-23. While current wage increases approved by the Board add to salary costs, most of these deficits are driven by higher contribution rates going towards paying down CalPERS' large unfunded pension liabilities and, to a lesser extent, continued increases in the County's general liability insurance program and Worker's Compensation. Even with a salary adjustment, County staff are conservative when estimating revenues and expenditures with actual performance generally favorable compared to forecasts. These hypothetical deficits are based on current operations and policy and do not include future service enhancements, wage increases for expiring labor agreements after FY 2020-21, changes in federal or State financial commitments, or revenue declines in an economic downturn.

Current year discretionary revenue grows mostly due to cannabis revenue and improvements in TOT. Discretionary revenues grow in the current year by $11.5 million over the modified budget, mostly to account for all cannabis estimated revenue for the year ($9.9 million), including revenue that has not been committed. Property tax revenues are forecasted to drop $3.2 million compared to budget due to a decrease in revenue receipts for property tax in lieu of VLF – a one-time adjustment for overpayments received by the County. The projected decrease is anticipated to be offset with projected increases in transient occupancy tax (TOT) revenue collections, investment income, and other property tax revenues. As previously mentioned, at year end any uncommitted cannabis revenues will be moved to the Cannabis assignment; however, for the upcoming budget year, all current estimated cannabis revenue is combined with discretionary revenue to increase preliminary GFC allocations. As of the writing of this report, the assessed valuation growth for property value decreased from the adopted projection of 5% to 4%. The decrease in projected growth is estimated to result in an additional $1.3 million in discretionary revenue loss in the current year. This decrease is not included in the forecast.

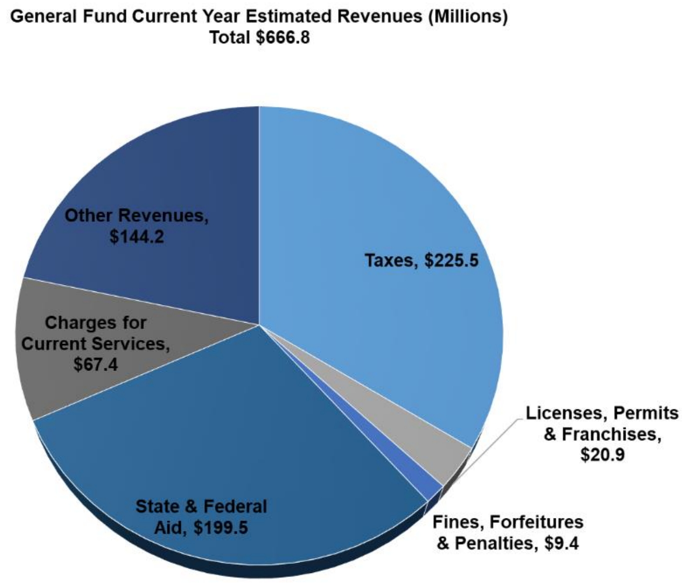
Next year, the County is faced with major cost drivers which exceed available funding. While cannabis revenues are combined with discretionary revenue as part of preliminary general fund contributions (GFC) to help offset costs increases, as of the writing of this report there remained a $4.4 million gap needed for salary, worker's compensation and general liability increases. The lower projected growth in property assessed valuation in the current year will also impact next year's budget, resulting in a projected $1.4 million loss in discretionary revenue. This revenue is vital as it helps general fund departments cover costs increases and prevent service impacts. Other unfunded needs include $1.6 million for Juvenile Hall cost overruns, loss of revenue to replace a portion of the Department of Social Services Whole Person Care pilot program grant, and to be determined staffing and operations cost at Lake San Antonio.

A cautious approach to future financial decisions given uncertainty of revenues. Looking into the future, the County, like the State and other local governments, must continue to plan for a stable and sustainable future for coming generations by maintaining its Strategic Reserve, addressing infrastructure needs, and paying down unfunded liabilities. Unfunded liabilities include a $724.9 million gap between expected pension costs and assets available to pay those costs, as well as unfunded liabilities for retiree health and vacation accruals totaling $39.6 million and $31.2 million, respectively. The financial forecast assumes that the economy continues to grow through the forecast period and does not include potential impacts that may result from possible federal or State policy changes or impacts of a recession or current year discretionary revenue declines.

While some growth is assumed in forecasted years, it is not enough to cover increases in costs for current levels of staffing and services. Furthermore, planning for the next recession continues to be an issue of concern for the State as well as local governments considering the U.S. is entering its 11th year of expansion. Any new budget commitments will increase the severity of cuts the County would have to make in an economic downturn. Given these uncertainties and events, continued prudent financial management practices, including limiting new on-going commitments or expansion of programs, seems appropriate for the current environment.

General Fund Revenues

General fund revenue is composed of program and non-program revenue. Program revenue is specifically designated and/or statutorily required for programs. Sources of program revenue are



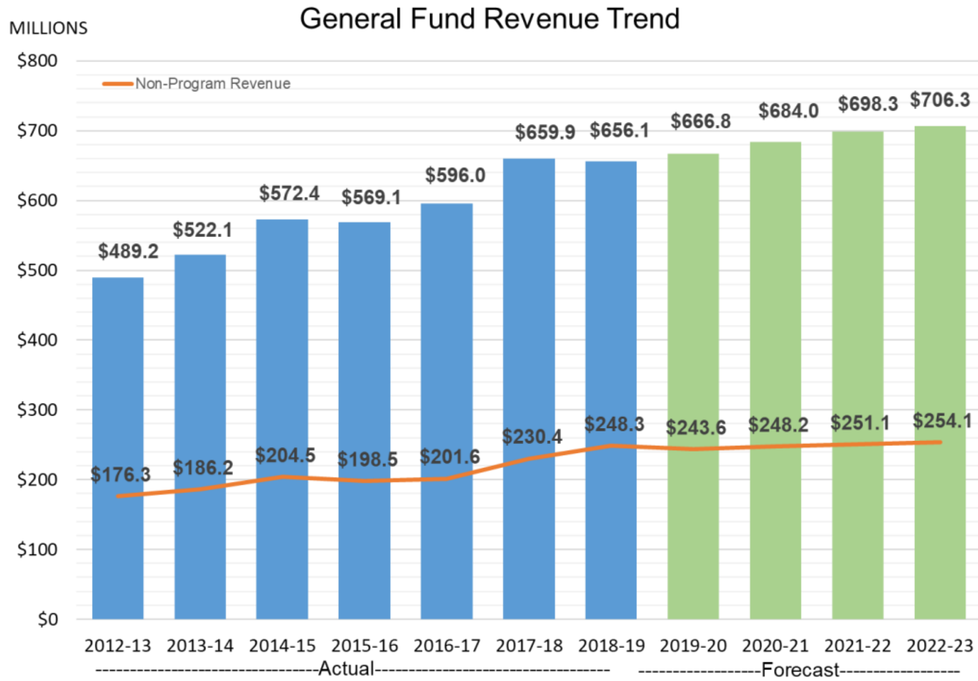
derived from State and federal aid for various mandated programs primarily in Health and Social Services, charges for services are primarily fees collected by health clinics and other revenues include primarily reimbursement from realignment funds for health, social services, and public safety programs.

Non-program or "discretionary" revenues are mostly derived from taxes and are utilized to address local priorities and to provide funds to leverage federal and State monies, including maintenance of effort requirements.

Current year revenues are $5.6 million below budget expectations. The major causes of the decrease in revenue in the current year include:

- **Revenue in the Health Department is $11.9 million below budget:** The Health Department is estimating a decrease in health fees and lowered reimbursements due to a lower than anticipated level of service due to vacancies in primary care clinics as well as a reduction in revenues from the State due to the prior year's audit recovery.
- **Lower reimbursements expected in Social Services due to lower caseloads:** The Department of Social Services is estimating a $10.4 million decrease due to $5.4 million lower State and federal reimbursements with some corresponding reductions in expenses due to lower caseloads in entitlement programs such as CalWorks and a $6.1 million error in revenues for IHSS.
- **Elimination of Produce Inspection reduces reimbursements in Agriculture Commissioner**. In November 2019, the Board of Supervisors adopted an ordinance repealing Chapter 10.16 of the Monterey County Code, thereby eliminating the Produce Inspection program. As such, the department is anticipating a loss of $0.7 million in reimbursements with a corresponding reduction in expenses.

Overall reductions in revenue are offset by a $18.9 million increase in revenues, mostly for higher than budgeted cannabis revenues and revenue generated from the Laguna Seca track's increase in sponsors and events. The graph below illustrates the general fund revenue trend based on actual performance and forecasted amounts:

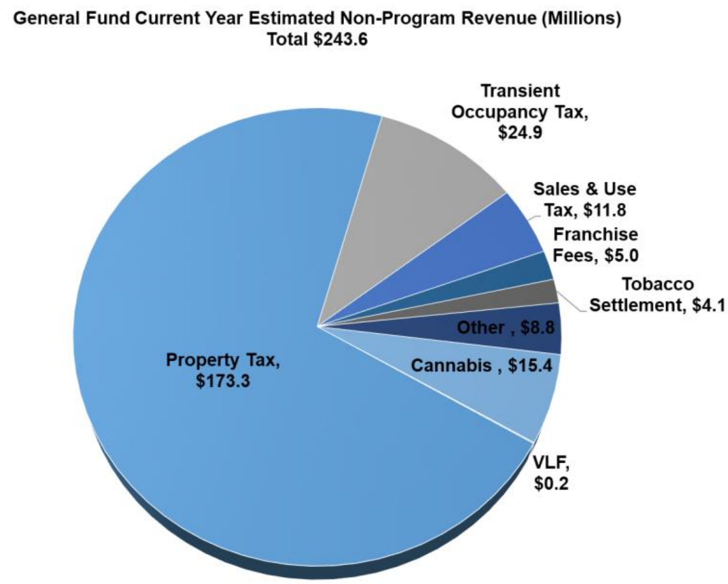


Forecasted years assume modest growth in revenues. Departments balance their budgeted expenditures based on a combination of revenues earned directly by the program (State reimbursement, permit fees, clinic charges, etc.) and County contributions of discretionary "non-program" revenue. Since FY 2012-13 the County's program revenues have mostly grown under state-county realignment and the Affordable Care Act to support increased responsibilities and associated costs, including mandated public assistance and health and public safety programs. The chart above reflects the overall general fund revenue trend and the non-program revenue trend, which accounts for approximately one-third of general fund revenues. For FY 2020-21, general fund revenues grow $17.2 million, 3% over current year expectations. The increase is mostly attributed to higher program revenue for State and federal reimbursements, an increase in Health fees due to the anticipated Natividad Immunology Division Outpatient (NIDO) clinic being fully operational, and an increase in non-program revenue, specifically modest growth in property taxes.

Discretionary Revenues

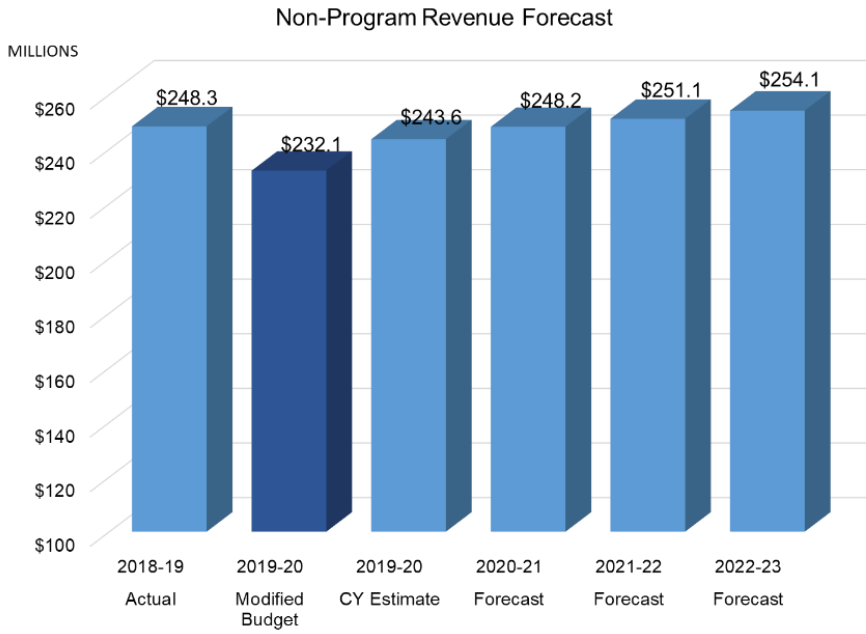
Discretionary revenues provide the Board flexibility to address local priorities and to provide matching funds to leverage federal and State monies and to meet maintenance of effort requirements.

Property tax revenue account for majority of local discretionary monies. Sources of non-program revenue are displayed in the chart to the right. Total non-program revenue in the current year is estimated at $243.6 million.



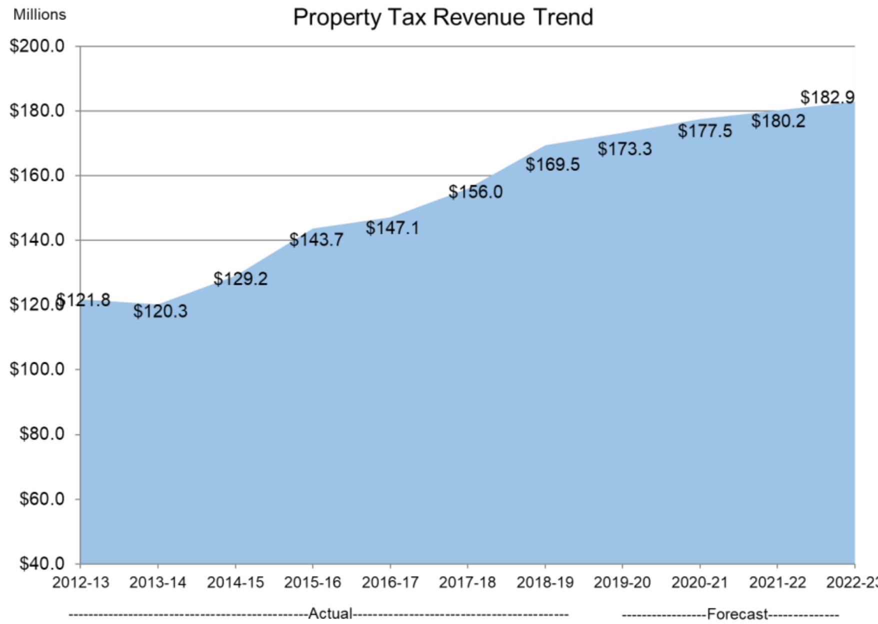
Property tax revenue is the largest source of non-program revenue, projected at $173.3 million (71%) of total current year estimated non-program revenue. Other significant sources of discretionary revenue include: $24.9 million in TOT; $15.4 million in Cannabis revenue; $11.8 million in sales and use tax revenue; franchise fees of $5.0 million and tobacco settlement monies of $4.1 million.

Discretionary revenue continues to grow in coming years. The chart to the right reflects the projected non-program revenue in the current year, budget year (FY 2020-21) and two out years. Projected current year non-program revenue is above budget mostly due to the recognition of an additional $9.9 million in cannabis revenue. Any uncommitted revenue will be moved to the cannabis assignment at end of year.

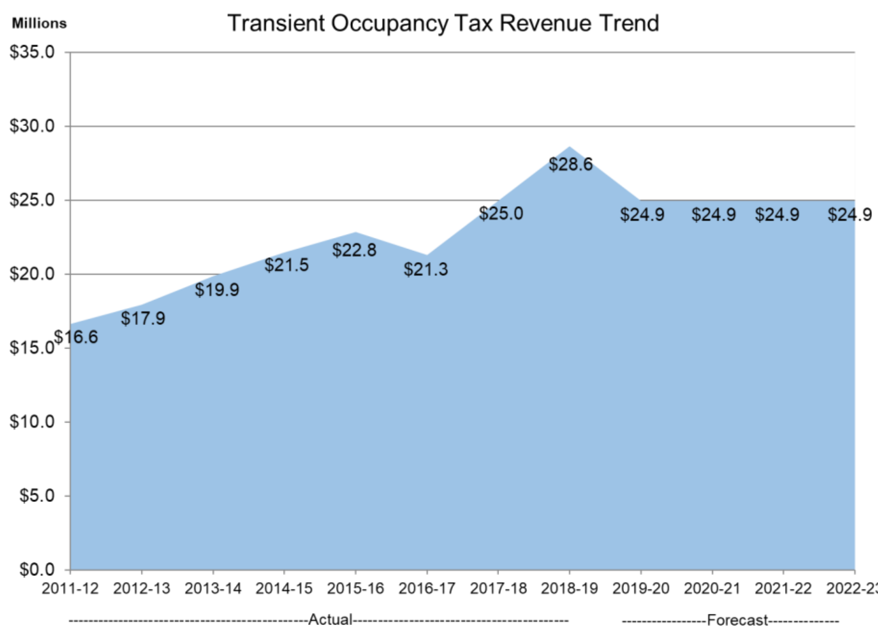


The forecast assumes modest continued growth in non-program revenue primarily due to positive trends in property tax collections resulting from higher assessments. Next fiscal year, non-program revenue grows $16.1 million over the current budget. Excluding the growth in cannabis revenue, non-program revenue grows $6.2 million. Growth in the two out years is projected at approximately $2.9 million and $3.0 million respectively.

Increases in property assessments result in modest discretionary revenue growth. While the forecast assumes moderate growth in property tax assessment, the impact of a recession on property tax revenue should be noted. During the economic recession beginning FY 2008-09, property taxes sustained steep reductions, declining $15.6 million from peak to trough. This impacted County services and was the driving factor behind four years of budget reductions following the onset of the recession. Assessed values have steadily recovered and since exceeded pre-recession levels.



The adopted budget assumed a 5.0% increase in assessed values for FY 2019-20. The current year estimate reflects a 5.8% increase as reported by the County Assessor's Office. Next year, the forecast assumes a lower growth in assessments, currently projected at 4.0% which produces $4.2 million growth in property tax revenue. The two out years include a more conservative growth assumption of 2.5% each, yielding additional revenue of $2.7 million each year.

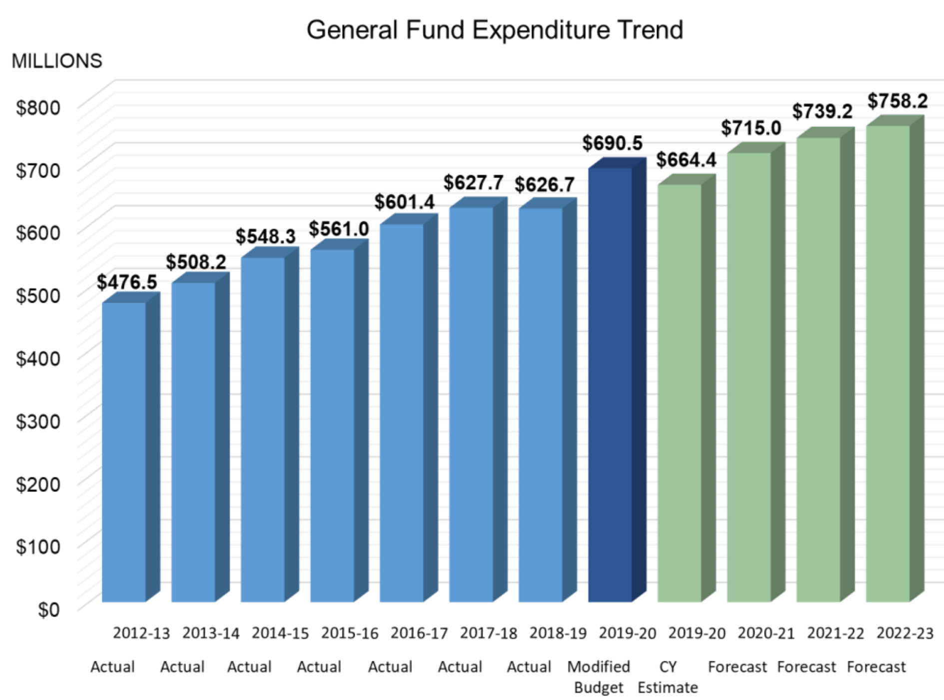


Transient Occupancy Tax receipts continue to see positive results. TOT is the County's second largest source of discretionary revenue. Often referred to as the "hotel tax," TOT is the tax applied on hotel/motel accommodations. Various tourist attractions contribute to the County's TOT, including the County's Laguna Seca Recreation Area (LSRA). The tax rate for Monterey County is 10.5%. Last fiscal year, TOT revenues increased $3.6 million over the prior year which was attributable to the U.S. Open, a one-time event, as well as continued efforts by the Treasurer-Tax Collector in recuperating one-time collections for non-complaint Short Term Rental operators. The current year estimate conservatively assumes an average of the prior three years actuals to account for one-time events and collections, however, revenue collections for the first quarter are already outperforming expectations attributed to positive economic conditions and the continued efforts of the Treasurer-Tax Collector to improve compliance. As of the writing of this report, 2nd quarter TOT results were unavailable. To the extent TOT revenue receipts see an increase or decrease over prior year results, budget year revenue estimates may be adjusted. TOT is estimated at $24.9 million next fiscal year with no growth in the two out years.

Cannabis revenues to support on-going cannabis program and reduce financing needs in upcoming budget process. The adopted budget included $5.0 million in cannabis revenues to support 24.98 FTEs for the implementation of the County's Cannabis Program. Services and equipment in various County departments were also funded to carry out the program, some of which included: CA Cannabis Authority membership, additional Accela automation licenses, new vehicles in the Sheriff's Office, lab analysis in the Health Department, and funding for overtime related to enforcement efforts. In the current year, the Board authorized an additional two FTEs and other services for an additional increase of $0.5 million in cannabis revenues. In total, 26.98 positions have been added towards the County's cannabis program. Cannabis revenues are estimated at $15.4 million next fiscal year which supports cannabis program staffing and services and helps cover increased costs for Board approved raises and increased financing needs for the Worker's Compensation and General Liability programs.

General Fund Expenditures

The FY 2019-20 adopted budget included appropriations of $687.5 million. The modified budget is $690.5 million, including modifications of $2.9 million over the course of the year primarily due to $1.5 million for the Sheriff's Office to implement a Jail Based Competency Treatment program, including the addition of two new Deputy Sheriffs in the Monterey County jail. In addition, the Board approved $0.8 million in one-time funding needs for the Resource Management Agency to continue staffing and operations at Lake San Antonio, including backfilling reimbursements for County Park Rangers and adding an Administrative Operations Manager. Lastly, two additional staff were added to support the Cannabis Program and enforcement and compliance efforts increasing appropriations by $0.5 million.



Current year expenditures are estimated at $664.4 million, or $26.1 million below budgeted expenditures. The primary factor decreasing expenditures in the current year is salary and benefit savings of $26.8 million resulting from vacancies across the County. At the writing of this report, the County had an overall 10.6% vacancy rate. There are an estimated 379 vacancies in the general fund, with an annualized value of $35.6 million next fiscal year. Of these vacancies, over half reside within the departments of Health and Social Services. To the extent these departments fill vacant positions, it is likely they would qualify for some level of reimbursements from State and federal agencies. However, vacancies in these departments do not translate into County savings to the extent departments cannot seek reimbursement from State and federal agencies for costs not incurred. The same holds true for departments with grant-funded vacancies or departments that share cost with other payors.

For next year's forecast, departments generally assume that all vacancies are filled and at top step. This conservative estimate illustrates potential increases in expenditure levels; however, in actuality, expenditures are curtailed to available funding. As responsible fiscal managers, Departments make operational changes if funding levels are constrained, including delaying hiring of vacant positions. An adjustment for salary savings is made in the forecast years. This adjustment is discussed later in the report.

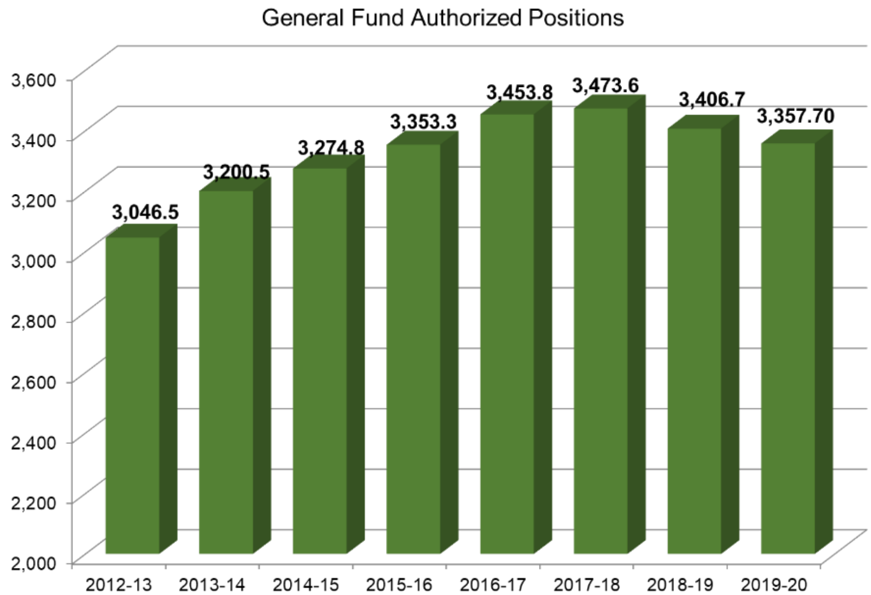
One-time and on-going expenditures in the current year are financed with fund balance. The FY 2019-20 adopted budget included $17.7 million use of fund balance to cover one-time and on-going expenditures. These expenditures include Laguna Seca improvements ($3.2 million), the contingencies appropriation ($6.7 million), and the Health's Department liability payment to the State related to the true-up of payments received and services provided in the health clinics and for expenditures in environmental health programs ($4.6 million). Additionally, the budget included use of prior years unassigned fund balance to cover one-time needs, including: information technology (IT) insfrastructure, the Salinas Valley Groundwater Basin investagation and the Pajaro and Boronda community services district (CSD) Proposition 218 rate increases. The budget also included the release of cannabis assignement to fund community programs ($1.2 million).

While one-time expenditures go away in the upcoming year, salary increases related to the Board approved bargaining agreements for FY 2019-20 and FY 2020-21 and other major cost drivers such as pension contributions, healthcare costs, general liability, and workers' compensation consume next year's expected gain in discretionary revenue. Major cost drivers are discussed in detail in the following section.

Major Cost Drivers

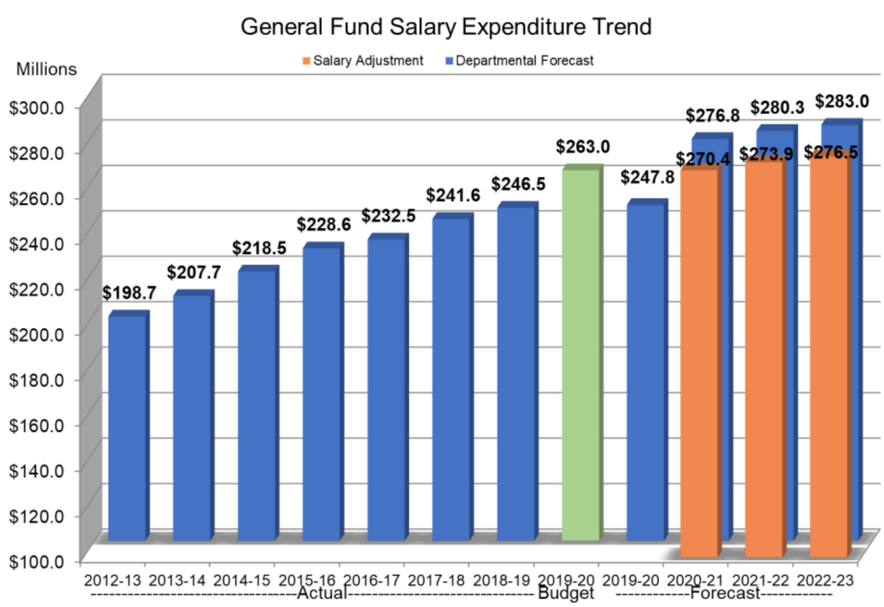
County programs and services continue to be impacted by higher labor costs resulting from negotiated salary increases, increased employer pension contributions, increased healthcare costs, higher workers' compensation and general liability costs.

Recent wage increases add to salary cost. In September 2019, the Board of Supervisors approved wage increases for FY 2019-20 and FY 2020-21. The Board approved wage increases for most labor groups of 2.0% in the current year and 3.0% in FY 2020-21. Most safety bargaining units received increases of 2.0% in the current year, 3.0% in FY 2020-21. Independent of position growth, wage increases approved for the two fiscal years will have added $12.5 million in cost to the general fund.



Despite reductions in staffing levels, salary increases continue to constrain department's budgetary flexibility. Between FY 2012-13 and FY 2017-18, general fund positions increased year-over-year, with a total of 427.1 general fund positions added. However, FY 2018-19 was the first-year general fund positions experienced an overall drop with additional reduction in position level in FY 2019-20. While departments made reductions to non-core services and identified other areas of budgetary flexibility, the final adopted budget still included a reduction of 52.0 positions in the general fund due mostly to mounting cost pressures but in some areas positions were eliminated due to loss of funding, such as in Social Services for adult and dislocated worker services, or is in the case of the Health Department to better align staffing levels to service needs. Despite the reduction in total general fund positions, salary costs continue to increase over prior year cost for step advances and salary increases.

Departments estimate salary expenditures increase $1.3 million, from $246.5 million in the prior year to $247.4 million in the current year. However, prior year actuals include salary expenditures for Emergency Communications which in FY 2019-20 moved to its own fund. Accounting for this, departments estimate for current year salary expenditures increase $7.2 million over the prior year. As mentioned earlier in the report, departments generally

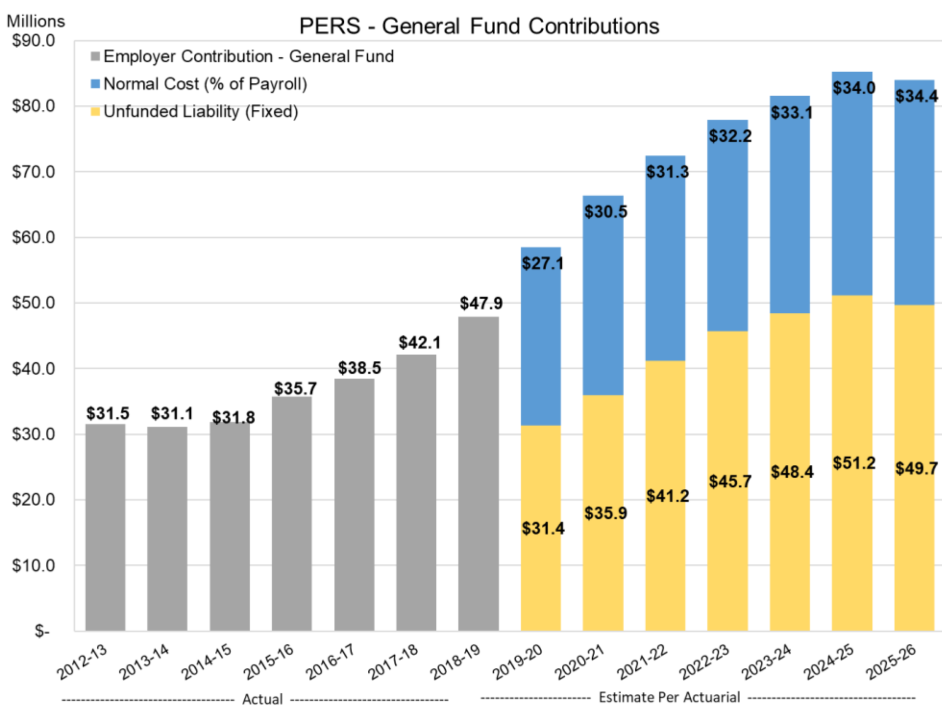


forecast all vacancies are filled and at top step. Departments manage their budgets to anticipated funding levels, and thereby make changes to their operations – including delaying hiring. Additionally, savings in salaries have consistently occurred due to attrition and turnover. As such, the forecast added a salary savings adjustment to more closely illustrate prior years' experience in salary expenditures. Taking the salary adjustment into consideration, salary expenditures increase to $276.5 million by FY 2022-23. The forecast does not include future wage increases for labor agreements beyond FY 2020-21.

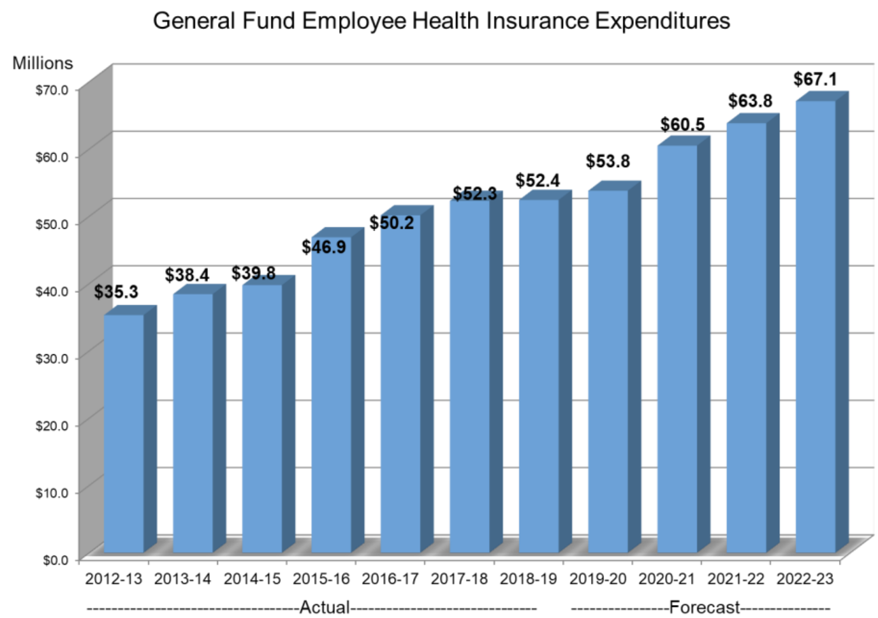
Employer contributions continue to see increases due to changes in CalPERS' actuarial methodology. The County continues to see its contributions towards employee pensions increase. Driving the increases are changes to CalPERS' actuarial methodology, including the following actions:

- Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.
- Change to fixed dollar contribution for the unfunded liability portion, rather than as a percentage of payroll, to prevent potential funding issues that could arise from a declining payroll.
- Adoption of new demographic assumptions that show retirees living longer, and thus requiring higher lifetime payout of benefits.
- Approval of a new funding risk mitigation policy to incrementally lower the discount rate.

Projected results assume no future plan changes, no changes in assumptions, and no liability gains or losses. Additionally, projected results are based on investment returns not falling below the assumed rate of return, which will increase contributions. Any changes to the aforementioned will have a direct impact on required contributions.

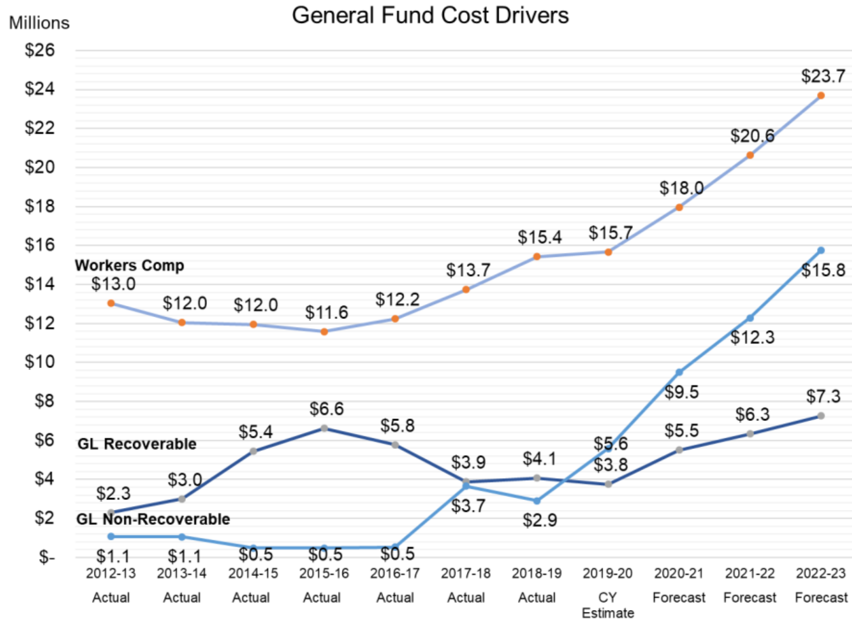


General fund contributions increase sharply in the forecast years with an increase of $7.8 million next fiscal year (more than double the FY 2013-14 level) and grow $25.6 million by FY 2025-26. The most significant change impacting contributions is the reduction in the "Discount Rate," which reduced the assumed rate of return by CalPERS from 7.50% to 7.0% over three years, beginning with the June 30, 2016 valuation. The result has been a continued increase in agencies contribution levels. The change was made by CalPERS due to expectations of lower investment returns. While a lower discount rate helps the pension fund reduce the risk of funding issues and cash flow gaps, the impact to the County is a larger share of revenues being consumed to pay for contribution increases. The contributions for FY 2019-20 are based on a 7.0% discount rate. The projections in the chart above are based on CalPERS actuarial valuations, which are built on actual payroll data obtained by CalPERS, and therefore, based on existing levels of filled staffing. The County's current unfunded liabilities of $724.9 million represents more than next year's forecasted general fund budget.



Increases in health insurance premiums continue to add to Countywide fiscal pressures. Health care costs have grown $17.1 million since FY 2012-13 and are forecasted to increase another $14.7 million over the next four fiscal years. In the current year, health costs are estimated at $53.8 million, or $1.4 million over last fiscal year. The Human Resources Department is anticipating a 6.0% annual growth for FY 2020-21 and the remainder of the forecast period based on historical experience, resulting in a $6.7 million increase in FY 2020-21 assuming all positions are filled. Additionally, the forecast projects a $3.3 million increase in both FY 2021-22 and FY 2022-23. In addition to rate increases, the present liability for retiree health expenses is $39.6 million.

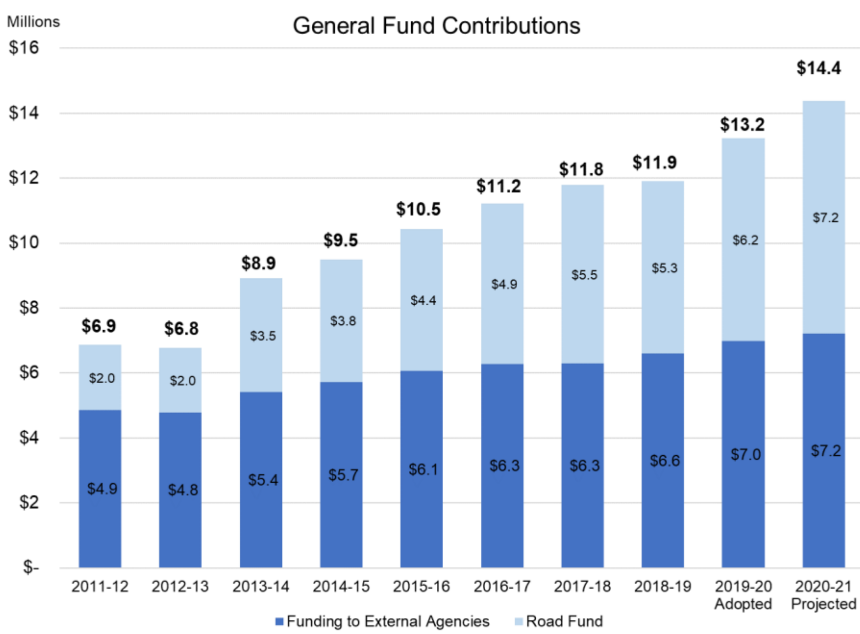
Sharp increases in costs to run internal service fund programs. The workers' compensation program is increasing its allocated costs to departments by $2.3 million next fiscal year with additional increases of $2.6 million and $3.1 million in the out years of the forecast due to a 15.0% increase in costs per year based on the most recent actuarial reports. The general liability program's allocated costs to departments increase $5.6 million in FY 2020-21 with increases of $3.6 million and $4.5 million in the two out years to pay down unfunded liabilities associated with legal settlements. While recoverable costs are expected to increase 15% in FY 2021-22, non-recoverable costs increase 30%. Both workers' compensation and general liability allocation estimates are based on a 70% confidence level.



Funding Commitments

In addition to operational cost drivers, County policy provides for funding towards external agencies and to the Road Fund. Funding agreements are based on percentage formulas, which have generally resulted in increased annual contributions in recent years. These commitments total $13.2 million in FY 2019-20 and result from the following:

- **Funding to external agencies in support of their mission to economic development.** County policy provides funding for agencies that promote economic development, tourism and cultural arts. During FY's 2016-17 and 2017-18, contribution amounts were capped at FY 2015-16 levels, or $1.9 million, due to fiscal constraints. In FY 2018-19, contributions returned to formula based; however, in FY 2019-20



contributions were again capped and include $2.1 million from TOT. Next year, contributions are estimated at $2.1 million assuming contributions continue to be capped.

- **Proposition 172 revenues (Half-Cent Public Safety Tax).** The County distributes Proposition 172 revenues based on funding agreements to user agencies of the 911 dispatch center and to fire districts to promote public safety. These contributions are at the discretion of the Board. The FY 2019-20 contributions to user agencies of the 911 center total $1.7 million and the allocation to the fire districts is $3.1 million, a combined increase of $259,399 over the prior year. Next year, contributions are estimated at $3.3 million for fire districts and $1.8 million for user agencies.

- In FY 2013-14, the Board adopted a policy to contribute a percentage of TOT revenue to the Road Fund, recognizing that well maintained roads are vital to the local economy. In FY 2019-20, the Board approved adjusting the contribution to the Road Fund at a level necessary to meet maintenance of effort (MOE) with the difference directed to Board approved road projects. The FY 2019-20 contribution is $5.2 million, with $1.0 million set aside. Based on current formulas, next fiscal year, the estimated contribution to the Road Fund to meet MOE is $5.3 million, with $1.8 million set aside.

Emerging Countywide Needs

The following table summarizes emerging needs including departmental cost pressures that will require budget solutions beginning in the current year and next fiscal year. These known costs total $11.6 million in the current year and grow to $35.7 million in the general fund next fiscal year.

Emerging Needs	FY 2019-20	FY 2020-21
Bargaining Agreements[1,2], WC and GL Increase (FY 2020-21)	$5,782,611	$15,920,882
Decrease in Non Program Revenue	$4,551,364	$1,375,297
Lake San Antonio Operations	TBD	TBD
PERS Contribution Increase	-	7,837,534
Increased cost due to COWCAP cost plan changes	518,013	7,851,121
New Juvenile Hall	725,560	1,625,933
855 E. Laurel Homeless Shelter		318,154
Storm Water Pollution Prevention Plan		157,523
Whole Person Care Grant Loss		617,462
Total	**$11,577,548**	**$ 35,703,907**

[1] Estimates based on payroll FY 2018-19 actuals. Includes MOU impact on salaries, PERS, Medicare and Social Security.

[2] Unfunded need assumes no change in GFC preliminary estimates 12/2/19.

Bargaining Agreements and increases and Worker's Compensation and General Liability. In the current year, the Board approved salary increases of 2.0% in FY 2019-20 and 3.0% in FY 2020-21. Funding for the increase in the current year was not included in the adopted budget. Salaries and benefits are estimated to increase over $5.8 million in the current year due to approved increases. This increase does not account for any added positions. While in the current year, departments are generally forecasting to be able to absorb costs increases, next year, a funding gap appears.

Preliminary GFC estimates include an adjustment to cover increases to salary costs, with financing needs being offset with use of on-going cannabis revenue. The adjustment also includes funding to help cover cost increases for worker's compensation and general liability. The combined costs increase for all three cost drivers is $15.9 million. However, funding is still insufficient to cover all costs, resulting in a $4.4 million gap.

Decrease in Non-Program Revenue. The adopted budget assumed a 5% growth in assessed valuation of property values. Current year estimates include a revised projection of 4%, or a 1% decrease over adopted. This decrease results in a projected $1.3 million loss in revenues in the current year. Next year, the impact of lower assessed valuation is estimated at $1.4 million. The decrease in revenues was not included in preliminary GFC estimate calculations.

Lake San Antonio Operations. In 2019, the Board directed moving Lake San Antonio operations from the enterprise fund to the general fund. In the current year, the Board also provided one-time funding to backfill reimbursement for County rangers and approved the addition of one Administrative Operations Manager. RMA staff are still determining recreational service levels at Lake San Antonio, but anticipate it is likely that unfunded operational and capital costs will emerge as a result.

Increased costs in general fund departments due to COWCAP cost plan changes. After the adoption of the budget, the State approved the FY 2019-20 County-wide Cost Allocation Plan (COWCAP). The State approved COWCAP included revisions to cost plan charges to departments. Overall, the result in the current year is a decrease in cost plan credits to general fund departments of $518,013 thereby potentially creating an appropriations issue for some departments who will receive less cost plan credits. Staff will monitor the issue and work with departments to ensure operations are not impacted due to cost plan changes. For next year, the Auditor-Controller's Office has provided preliminary cost plan charges to departments. The charges reflect a $7.3 million increase in charges for general fund departments for building depreciation. The updated cost plan changes are not reflected in departments' forecast or preliminary GFC estimates. Per the Board's prior direction, updated GFC estimates will redistribute preliminary GFC allocations across general fund departments to make the updated COWCAP a budget-neutral event and ensure that general fund departments are not harmed by the updated COWCAP.

New Juvenile Hall. In 2013, the Board approved construction for a new Juvenile Hall. The project is currently behind schedule. As of the writing of this report, staff estimates $.07 million in the current year and $1.6 million next year is needed for change orders and soft costs (consultant and staff charges). However, to date, there has been $3.5 million added to the project budget for Board approved change orders and/or additional costs overruns. Most estimated cost overruns are due to requirements from the California State Fire Marshall and the Board of State and Community corrections for items not considered during the design.

855 E. Laurel Homeless Shelter. In November 2019, the Board approved an alternate construction bid from Avila Construction that included a kitchen. The existing state homelessness funding (HEAP), Fund 401 Facilities funding, and City of Salinas contribution was not enough to complete the project. Staff projects an additional $318,154 is needed in FY 2020-21 to complete the new homeless shelter.

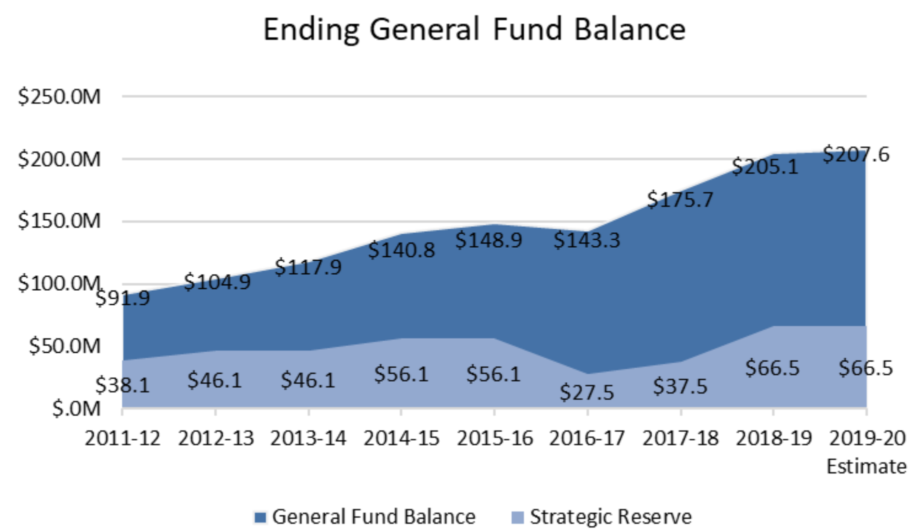
Storm Water Pollution Prevention Plan. The Resource Management Agency is projecting a $157,523 in funding needs to address compliance issues at five County closed landfills in FY 2020-21. This need was funded by one-time sources in the current year.

Whole Person Care grant expiring. The Department of Social Services currently receives a grant from the State for the Whole Person Care pilot program. The grant will expire on December 31, 2020 which the department of Social Services is projecting will result in $617,462 in lost revenue. These revenues support the goals of the Lead Me Home/10 Year plan homelessness plan that coordinate health and social services for vulnerable Medi-Cal beneficiaries who are high users of multiple systems. Revenues have supported the Coalition of Homeless Services Providers and Franciscan Workers of Junipero Serra (Dorothy's Place) to providing housing case management and the Coordinated Assessment and Referral System.

Financial Reserves

Since the 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. Historically, the County has invested year-end surpluses and one-time gains in its strategic reserve and other key investments, resulting in improvement to the County's ending fund balance each year.

The FY 2019-20 adopted budget includes $17.7 million in use of fund balance including funds authorized from restricted fund balance and other assignments. Based on the planned fund balance use, the estimated general fund balance at year-end 2019-20 is $207.6 million.



The County had previously built up the general fund strategic reserve to $56.1 million by FY 2015-16. Because of these prior investments and prudent financial planning, the County was able to respond to natural disasters and extraordinary legal costs during FY 2016-17 by redirecting $30.9 million towards these unforeseen costs. Because of favorable results in the last three years, the County was able to invest $2.3 million back into the strategic reserve in FY 2016-17, $10.0 million in FY 2017-18, and an additional $29.0 million in FY 2018-19, reaching 9.9% of estimated annual general fund revenue and $500,000 short of meeting the Board' policy of 10%.

As illustrated in the above graph, unforeseen costs can easily reduce reserve levels. Without the prior investments, the County may not have been able to respond to the magnitude of costs due to unforeseen events or the recession during FY 2008-09. For this reason, it is important to continue to preserve the County's finances, and align expenditures to available ongoing revenues, to be better prepared for future events including an economic downturn.

General Fund Departmental Forecasts

This section provides individual departmental forecasts, which compare forecasted needs (i.e., expenditures) based on current staffing and services to available financing. Available financing refers to a department's estimated program revenue plus authorized general fund contributions adopted by the Board. The resulting forecast summaries help identify potential areas where service capacity may be impacted as a result of projected changes in expenditures and revenues. Departmental summaries offer a tool to assist the Board of Supervisors in prioritizing the distribution of discretionary general fund contributions in the upcoming budget process.

Per County policy, Departments forecasting current year deficits are required to prepare and submit a Budget Committee report outlining the cause of the problem, the alternatives available to mitigate the projected deficit, and the Department's recommended action. In the current year, Departments estimating a deficit include: Information Technology, Sheriff's Office, Social Services and Treasurer-Tax Collector.

General Fund Contributions

Departments are provided preliminary estimates of general fund contributions for purposes of building their initial "baseline" budgets. The initial GFC estimates represent preliminary allocations of discretionary general fund monies to be used for planning purposes. Departments use these monies to supplement program-specific revenues to finance operations.

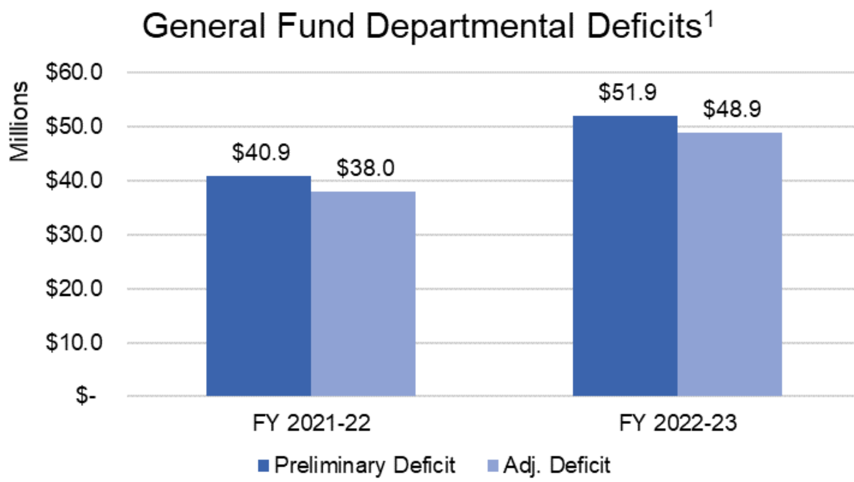
Preliminary GFC planning estimates for the budget year and forecast years were based on current year GFC allocations with three adjustments:

- Wage and Worker's Compensation & General Liability Increase Adjustments – ongoing cannabis revenue is combined with discretionary revenue to increase preliminary GFC allocations to help cover costs increases with salary increases and worker's compensation and general liability insurance costs increases in FY 2020-21.

- Cost Plan Adjustment – preliminary GFC planning estimates did not include an adjustment to departments GFC for anticipated cost plan charges or credits. Since the preliminary GFC estimates were distributed, the Auditor-Controller's Office has published updated countywide cost plan allocation (COWCAP) amounts to be applied next fiscal year. An updated GFC estimate will be distributed to departments to include an adjustment for COWCAP. Per the Board's prior direction, updated GFC estimates will redistribute preliminary GFC allocations across general fund departments to make the updated COWCAP a budget-neutral event and ensure that general fund departments are not harmed by the updated COWCAP.

Departmental Forecasts

Departmental forecasts assume general fund contribution (GFC) is static in fiscal years 2021-22 and 2022-23. As such, while the fiscal year 2020-21 forecast includes preliminary GFC figures as approved by the Board for adopted levels of staffing and services, future forecast years do not assume a distribution of growth in discretionary revenue. An adjustment for growth in discretionary revenue shows departments GFC need would decrease overall.



[1] Excludes estimated salary savings adjustment.

Agriculture Commissioner	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Operational Expenditures	$11,291,686	$10,547,603	$11,355,634	$11,840,424	$12,078,488
B. COWCAP	1,003,333	980,413	980,413	980,413	980,413
C. Total Expenditures	12,295,019	11,528,016	12,336,047	12,820,837	13,058,901
D. Revenue	8,334,703	7,590,620	7,331,836	7,284,699	7,284,699
E. Financing Need, C-D	3,960,316	3,937,396	5,004,211	5,536,138	5,774,202
F. Preliminary GFC	3,960,316	3,960,316	4,464,137	4,464,137	4,464,137
G. Surplus/(Deficit), F-E	$ -	$ 22,920	$ (540,074)	$ (1,072,001)	$ (1,310,065)

Agricultural Commissioner – The Agricultural Commissioner's Office expects to end the current year with $11.5 million in expenditures, $7.6 million in revenues, and a general fund contribution of $4.0 million resulting in a year-end surplus of $22,920, mostly due to a decrease in cost plan charges. In the forecast years, the projected increase in appropriations results from increased salary and benefit costs, loss of the Produce Inspection Program's portion of overhead costs reimbursement and anticipated vehicle replacement costs. While Unclaimed gas tax revenue is anticipated to increase, the elimination of the Produce Inspection Program and reductions in State contracts, most notably trapping for the European Grape Vine Moth, are anticipated to decrease, resulting in a loss of revenues.

Auditor-Controller	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 6,704,187	$ 6,440,264	$ 7,029,100	$ 7,210,549	$ 7,369,225
B. COWCAP	(4,694,117)	(4,694,282)	(4,694,282)	(4,694,282)	(4,694,282)
C. Total Expenditures	2,010,070	1,745,982	2,334,818	2,516,267	2,674,943
D. Revenue	500,847	500,847	500,847	500,847	500,847
E. Financing Need, C-D	1,509,223	1,245,135	1,833,971	2,015,420	2,174,096
F. Preliminary GFC	1,509,223	1,509,223	1,724,044	1,724,044	1,724,044
G. Surplus/(Deficit), F-E	$ -	$ 264,088	$ (109,927)	$ (291,376)	$ (450,052)

Auditor-Controller – The table summarizes the finances for departmental operations. The Auditor-Controller estimates ending the fiscal year with expenditures of $1,745,982 and revenues of $500,847, resulting in a projected surplus of $264,088. The surplus is a result of salary and benefits savings due to vacancies. The deficits emerging in forecast years are driven by increases in PERS retirement and health insurance costs.

Assessor-County Clerk-Recorder	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 8,238,545	$ 7,643,568	$ 8,777,485	$ 9,036,207	$ 9,273,624
B. COWCAP	1,237,188	1,222,385	1,222,385	1,222,385	1,222,385
C. Total Expenditures	9,475,733	8,865,953	9,999,870	10,258,592	10,496,009
D. Revenue	4,131,656	3,962,833	4,181,656	4,231,656	4,281,656
E. Financing Need, C-D	5,344,077	4,903,120	5,818,214	6,026,936	6,214,353
F. Preliminary GFC	5,344,077	5,344,077	5,593,297	5,593,297	5,593,297
G. Surplus/(Deficit), F-E	$ -	$ 440,957	$ (224,917)	$ (433,639)	$ (621,056)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of $8.9 million, $4.0 million in revenue, and a surplus of $440,957. The surplus is due to unexpected vacancies, and medical leaves in the Assessor's office. Projected deficits in the forecasted years are due to estimated step advances, salary increases, PERS retirement, and rising health insurance premiums.

Board of Supervisors	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 3,344,367	$ 3,173,680	$ 3,564,601	$ 3,651,414	$ 3,733,972
B. COWCAP	694,411	692,114	692,114	692,114	692,114
C. Total Expenditures	4,038,778	3,865,794	4,256,715	4,343,528	4,426,086
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	4,038,778	3,865,794	4,256,715	4,343,528	4,426,086
F. Preliminary GFC	4,038,778	4,038,778	4,185,382	4,185,382	4,185,382
G. Surplus/(Deficit), F-E	$ -	$ 172,984	$ (71,333)	$ (158,146)	$ (240,704)

Board of Supervisors - The budget for the Board of Supervisors includes six general fund units, providing for each of the five districts and a general pool that covers shared expenses not specific to any one district. The Department projects year-end expenditures of $3.9 million and a County contribution of $4.0 million, resulting in a year-end estimated surplus of $172,984. The estimated surplus is primarily due to salary savings due to a vacancy. The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, PERS, general liability insurance, and workers compensation insurance.

Child Support Services	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$10,765,802	$10,051,937	$10,825,215	$11,207,610	$11,597,970
B. COWCAP	452,716	441,474	441,474	441,474	441,474
C. Total Expenditures	11,218,518	10,493,411	11,266,689	11,649,084	12,039,444
D. Revenue	11,218,518	10,493,411	11,218,519	11,218,520	11,164,184
E. Financing Need, C-D	-	-	48,170	430,564	875,260
F. Preliminary GFC	-	-	-	-	-
G. Surplus/(Deficit), F-E	$ -	$ -	$ (48,170)	$ (430,564)	$ (875,260)

Child Support Services - Child Support Services is funded entirely through federal and State subventions for mandated services. It is projected that the State Department of Child Support Services will increase the department's funding allocations slightly in the next two years, 2020-21 and 2021-22. The department is anticipating a need for general fund contribution in the upcoming years largely due to increases in employee salaries and benefits, health insurance premiums, and workers' compensation. To the extent County Overhead Allocation (COWCAP) costs also increase next fiscal year, the need for general fund contribution may be higher than forecasted. Unless other means are taken to offset escalating costs, the cost increases will impact Child Support Services' ability to maintain existing resources and to continue delivering an important service to the children and families of Monterey County.

Civil Rights Office	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 913,291	$ 906,122	$ 985,795	$ 1,016,123	$ 1,039,324
B. COWCAP	(1,034,102)	(1,034,044)	(1,034,044)	(1,034,044)	(1,034,044)
C. Total Expenditures	(120,811)	(127,922)	(48,249)	(17,921)	5,280
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	(120,811)	(127,922)	(48,249)	(17,921)	5,280
F. Preliminary GFC	(120,811)	(120,811)	(90,617)	(90,617)	(90,617)
G. Surplus/(Deficit), F-E	$ -	$ 7,111	$ (42,368)	$ (72,696)	$ (95,897)

Civil Rights Office – The Civil Rights Office estimates coming within its budget during the current fiscal year. However, as salary and healthcare costs continue to increase, and civil rights training and investigation services expand to meet organizational needs and state and federal requirements, the department anticipates deficits at current-level funding for forecasted years.

Clerk of the Board	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Operational Expenditures	$ 774,073	$ 650,870	$ 812,156	$ 834,086	$ 864,167
B. COWCAP	113,151	110,554	110,554	110,554	110,554
C. Total Expenditures	887,224	761,424	922,710	944,640	974,721
D. Revenue	20,000	20,000	20,000	20,000	20,000
E. Financing Need, C-D	867,224	741,424	902,710	924,640	954,721
F. Preliminary GFC	867,224	867,224	880,479	880,479	880,479
G. Surplus/(Deficit), F-E	$ -	$ 125,800	$ (22,231)	$ (44,161)	$ (74,242)

Clerk of the Board - The Clerk of the Board estimates year-end expenditures of $761,424 and revenue of $20,000, ending the year with a surplus of $125,800. The surplus is mainly attributed to salary and benefits savings due a vacant Management Analyst position and small savings throughout various services. The revenues from the assessment appeal application filings are projected to be static in forecasted years while expenditures are expected to continue rising due to step advances and employee benefit costs resulting in projected deficits.

Cooperative Extension	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Operational Expenditures	$ 426,157	$ 408,084	$ 446,576	$ 465,735	$ 479,072
B. COWCAP	36,958	34,631	34,631	34,631	34,631
C. Total Expenditures	463,115	442,715	481,207	500,366	513,703
D. Revenue	27,645	7,325	14,717	15,049	15,431
E. Financing Need, C-D	435,470	435,390	466,490	485,317	498,272
F. Preliminary GFC	435,470	435,470	445,333	445,333	445,333
G. Surplus/(Deficit), F-E	$ -	$ 80	$ (21,157)	$ (39,984)	$ (52,939)

Cooperative Extension - The Cooperative Extension estimates ending the current year with $442,715 in expenditures, $7,325 in revenue and a general fund contribution of $435,390. Compared to budget, the Department estimates it will end the year with a surplus of $80 due to salary and benefit savings and a decrease in cost plan charges. Without changes to cost plan charges, the department would end the year with a deficit of $2,247. Compared to budget there is a reduction in estimated revenue of $20,320 due to a reduction of reimbursable costs from the University of California (UC). The Cooperative Extension projects a deficit in forecast years due to increases in general liability charges, salary and benefit cost increases driven by approved bargaining agreements, PERS increases, and increased employee health insurance premiums. Revenue forecasts are also anticipated to decrease due to budget constraints from the UC.

County Administrative Office	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Operational Expenditures	$13,914,400	$12,969,971	$13,247,240	$13,515,899	$13,754,057
B. COWCAP	(3,970,509)	(4,015,386)	(4,015,386)	(4,015,386)	(4,015,386)
C. Total Expenditures	9,943,891	8,954,585	9,231,854	9,500,513	9,738,671
D. Revenue	1,209,941	1,006,479	590,272	590,300	590,329
E. Financing Need, C-D	8,733,950	7,948,106	8,641,582	8,910,213	9,148,342
F. Preliminary GFC	8,733,950	8,733,950	8,591,054	8,591,054	8,591,054
G. Surplus/(Deficit), F-E	$ -	$ 785,844	$ (50,528)	$ (319,159)	$ (557,288)

County Administrative Office - The County's Administration "departmental" operations, includes Administration and Finance, Budget and Analysis, Contracts/Purchasing, Intergovernmental and Legislative Affairs (IGLA), Emergency Services, Community Engagement & Strategic Advocacy, Fleet Administration, and Mail & Courier. The Department projects year-end expenditures of $9.0 million, revenues of $1.0 million, and a County contribution of $8.7 million. These projections result in a year-end estimated surplus of $785,844. Primary reasons for the surplus include salary savings in IGLA and cost plan adjustments in Mail & Courier and Fleet Administration. The Department is projecting hypothetical deficits in the forecast years due primarily to salary increases, health insurance premiums, PERS, general liability insurance, and workers compensation insurance.

County Counsel	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Operational Expenditures	$ 5,113,247	$ 4,287,445	$ 5,682,747	$ 5,932,072	$ 6,157,367
B. COWCAP	(3,637,547)	(3,294,584)	(3,294,584)	(3,294,584)	(3,294,584)
C. Total Expenditures	1,475,700	992,861	2,388,163	2,637,488	2,862,783
D. Revenue	340,000	504,484	357,000	357,000	357,000
E. Financing Need, C-D	1,135,700	488,377	2,031,163	2,280,488	2,505,783
F. Preliminary GFC	1,135,700	1,135,700	1,255,858	1,255,858	1,255,858
G. Surplus/(Deficit), F-E	$ -	$ 647,323	$ (775,305)	$ (1,024,630)	$ (1,249,925)

County Counsel – County Counsel estimates it will end the current fiscal year with $992,861 in expenditures, revenue of $504,484 and a $647,323 surplus. The surplus is due to vacancies, and the estimates could change if vacancies are filled or other unexpected expenses arise. The deficits emerging in forecast years are driven mainly by cost increases related to salaries, PERS retirement contribution rates, health insurance premiums, Workers' Compensation and General Liability allocations.

District Attorney	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Operational Expenditures	$ 26,192,097	$ 25,237,177	$ 29,929,032	$ 30,622,290	$ 31,224,568
B. COWCAP	2,220,439	2,190,436	2,190,436	2,190,436	2,190,436
C. Total Expenditures	28,412,536	27,427,613	32,119,468	32,812,726	33,415,004
D. Revenue	15,464,548	15,068,587	15,160,024	15,948,696	16,781,762
E. Financing Need, C-D	12,947,988	12,359,026	16,959,444	16,864,030	16,633,242
F. Preliminary GFC	12,947,988	12,947,988	14,087,592	14,087,592	14,087,592
G. Surplus/(Deficit), F-E	$ -	$ 588,962	$ (2,871,852)	$ (2,776,438)	$ (2,545,650)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of $27.4 million, revenues of $15.1 million and $12.4 million in County contribution, resulting in a year-end surplus of $588,962. Much of the surplus represents salary savings from vacant positions over the first 6-months of the fiscal year. The DA projects deficits in the forecast years primarily due to forecasted salary increases, assuming all positions are filled, as well as the increasing costs related to PERS retirement, health insurance premiums and allocated costs such as workers' compensation insurance and general liability insurance.

Elections Department	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 4,479,793	$ 4,333,988	$ 5,317,093	$ 4,498,392	$ 4,558,023
B. COWCAP	1,076,139	1,071,959	1,071,959	1,071,959	1,071,959
C. Total Expenditures	5,555,932	5,405,947	6,389,052	5,570,351	5,629,982
D. Revenue	1,341,500	1,195,695	913,000	911,500	911,500
E. Financing Need, C-D	4,214,432	4,210,252	5,476,052	4,658,851	4,718,482
F. Preliminary GFC	4,214,432	4,214,432	4,286,775	4,286,775	4,286,775
G. Surplus/(Deficit), F-E	$ -	$ 4,180	$ (1,189,277)	$ (372,076)	$ (431,707)

Elections - The Elections Department administers all federal, State, county, and local public elections. Departmental expenditures and revenues vary based on the number and size of scheduled and unscheduled special elections in a given year. The Department expects to end the current year with expenditures of $5.4 million, revenues of $1.2 million, and a County contribution of $4.2 million. Compared to budget, the Department estimates ending the year with a negligible surplus of $4,180 due to a reduced Countywide cost allocation.

Projected expenditures and revenues in forecast years reflect estimated charges for one scheduled election per fiscal year, including a Presidential election in 2020-21, a statewide primary in 2021-22 and a statewide general in 2022-23. The funds necessary to conduct mandated county, State and federal elections must be provided by the General Fund. Revenues from local districts reimburse the cost of their portion of the election. Services and supplies (including ballot printing and seasonal staffing) are projected to increase next year due to a large Presidential election before decreasing to approximately current year levels in future years. Salary, benefit and countywide cost pressures contribute to deficits in forecast years.

Health	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 97,410,297	$82,083,074	$94,461,595	$ 96,490,537	$ 98,982,701
B. COWCAP	5,562,840	5,445,055	5,445,055	5,445,055	5,445,055
C. Total Expenditures	102,973,137	87,528,129	99,906,650	101,935,592	104,427,756
D. Revenue	88,810,357	76,934,061	83,362,164	82,929,255	83,712,352
E. Financing Need, C-D	14,162,780	10,594,068	16,544,486	19,006,337	20,715,404
F. Preliminary GFC	14,162,780	14,162,780	11,677,347	11,677,347	11,677,347
G. Adjustments		2,697,813			
H. Surplus/(Deficit), F-E-G	$ -	$ 870,899	$ (4,867,139)	$ (7,328,990)	$ (9,038,057)

Health Department – The Health Department provides a wide array of services including but not limited to animal services, public health, clinic services, public guardian/conservator/administrator, emergency medical services, and environmental health. The Department estimates year-end expenditures of $87.5 million, revenues of $76.9 million, and a financing need of $10.6 million.

Year-end expenditures are estimated at $15.3 million lower than budgeted primarily due to salary savings of $13.4 million resulting from a vacancy rate of 17% as the Department experiences challenges finding qualified staff, particularly in the Primary Care Bureau. These savings were offset by a liability payment to the State totaling $3.6 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. Any over payment for services rendered by the County found by the State must be returned. Revenue is projected to end the year $11.9 million below budget. The high vacancy rate impacted the amount of services provided, therefore decreasing revenue.

The Department projects ending the year with a $3.5 million preliminary surplus and is requesting that $2.7 million of the $3.5 million surplus associated with its primary care program be set aside in restricted fund balance to pay future potential liabilities to the State. After these adjustments, the Department would end the year with a surplus of $870,899. The Department will continue working with the CAO and Audit-Controller's Office to ensure appropriate accounting of these funds.

The deficits in the forecast years are due to the AB 85 revenue redirection, projected salary step increases, health insurance costs, and increased pension costs. Also reflected in forecasted revenues is the phase out of the Whole Person Care grant which ends in December of 2020.

Human Resources	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 5,245,538	$ 4,788,169	$ 5,477,664	$ 5,732,958	$ 5,947,903
B. COWCAP	(5,762,349)	(5,762,048)	(5,762,048)	(5,762,048)	(5,762,048)
C. Total Expenditures	(516,811)	(973,879)	(284,384)	(29,090)	185,855
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	(516,811)	(973,879)	(284,384)	(29,090)	185,855
F. Preliminary GFC	(516,811)	(516,811)	(232,721)	(232,721)	(232,721)
G. Surplus/(Deficit), F-E	$ -	$ 457,068	$ 51,663	$ (203,631)	$ (418,576)

Human Resources – The Human Resources Department projects $457,068 in surplus for the current fiscal year due to vacancies. For the first forecasted year, the department projects a surplus of $51,663 due to anticipated vacancies. However, a deficit is projected for the second and third forecast years as a result of rising salary and benefit costs, such as position step advances, PERS contributions, and health insurance.

Information Technology	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$21,856,660	$21,216,735	$20,671,294	$20,671,294	$20,671,294
B. COWCAP	(15,878,341)	(15,346,674)	(15,346,674)	(15,346,674)	(15,346,674)
C. Total Expenditures	5,978,319	5,870,061	5,324,620	5,324,620	5,324,620
D. Revenue	704,492	554,492	550,000	550,000	550,000
E. Financing Need, C-D	5,273,827	5,315,569	4,774,620	4,774,620	4,774,620
F. Preliminary GFC	5,273,827	5,273,827	4,235,018	4,235,018	4,235,018
G. Surplus/(Deficit), F-E	$ -	$ (41,742)	$ (539,602)	$ (539,602)	$ (539,602)

Information Technology – The Information Technology Department (ITD) estimates year-end expenditures of $5.9 million, revenue of $554,492, and a general fund contribution of $5.3 million, resulting in a budgetary shortfall of $41,742. In the current year, ITD anticipates lower operating costs due to estimated salary savings of $639,925. These savings are offset by reduction in revenue of $150,000 and the actual cost plan allocation adjustment in the amount of $531,667. The forecast years assume a GFC deficit of $539,602 mainly due to anticipated MOU salary changes and ongoing reduced cost plan allocation credits.

Probation	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$48,663,109	$48,653,255	$52,296,111	$53,867,420	$55,319,694
B. COWCAP	3,612,748	3,582,586	3,582,586	3,582,586	3,582,586
C. Total Expenditures	52,275,857	52,235,841	55,878,697	57,450,006	58,902,280
D. Revenue	28,057,399	27,948,399	27,878,807	27,938,030	27,982,624
E. Financing Need, C-D	24,218,458	24,287,442	27,999,890	29,511,976	30,919,656
F. Preliminary GFC	24,218,458	24,327,458	25,692,129	25,692,129	25,692,129
G. Surplus/(Deficit), F-E	$ -	$ 40,016	$ (2,307,761)	$ (3,819,847)	$ (5,227,527)

Probation - The Department's FY 2019-20 year-end estimate reflects expenditures of $52.2 million, revenue of $27.9 million and a general fund contribution of $24.3 million. The general fund contribution includes a one-time use of cannabis assignment approved by the Board in the current year to partially fund the DUI court that lost grant funding. The projected surplus of $40,016 is mostly related to a $30,162 decrease in the COWCAP. The remaining surplus of $9,854 is primarily due to unused appropriations from contracted savings in institutional supplies and professional services. The forecast for FY 2020-21 through FY 2022-23 indicates deficits ranging from $2.3 to $5.2 million. Contributing factors to the forecasted deficits are increases to salary and benefits related to approved wage increases, step increases and the assumption that all positions are filled, rising PERS contribution rates, employee health insurance, general liability insurance, and workers compensation insurance. Additionally, there may be unknown operational costs for the new juvenile hall project, which is anticipated to be completed in FY 2020-21. The funding gaps in the forecast years do not include consideration for this project. Future projections will be updated as the facility becomes operational.

Public Defender	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$13,800,570	$13,705,758	$14,304,217	$14,759,337	$15,210,695
B. COWCAP	2,068,038	2,057,830	2,057,830	2,057,830	2,057,830
C. Total Expenditures	15,868,608	15,763,588	16,362,047	16,817,167	17,268,525
D. Revenue	1,379,829	1,321,230	1,426,283	1,426,283	1,426,283
E. Financing Need, C-D	14,488,779	14,442,358	14,935,764	15,390,884	15,842,242
F. Preliminary GFC	14,488,779	14,488,779	14,817,601	14,817,601	14,817,601
G. Surplus/(Deficit), F-E	$ -	$ 46,421	$ (118,163)	$ (573,283)	$ (1,024,641)

Public Defender - The FY 2019-20 year-end estimate for the Public Defender consists of $15.8 million in expenditures, $1.3 in revenue, and a General Fund Contribution (GFC) of $14.4 million. The Department projects a surplus of $46,421, of which $10,208 is attributed to a reduction in the COWCAP charge for the current year. The remaining surplus is attributed to salary savings from a vacant position. The Department projects deficits in the forecasted years due to earned step advances, increased salary due to wage increases approved for next fiscal year, PERS contribution rates, worker's compensation, and general liability insurance costs. Ancillary and special circumstance costs are expected to continue at the current level through the forecast.

Resource Management Agency	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$33,948,041	$35,035,840	$33,278,279	$34,550,947	$35,835,055
B. COWCAP	(4,627,251)	(4,607,727)	(4,607,727)	(4,607,727)	(4,607,727)
C. Total Expenditures	29,320,790	30,428,113	28,670,552	29,943,220	31,227,328
D. Revenue	12,233,583	13,452,245	12,179,560	11,933,722	11,941,727
E. Financing Need, C-D	17,087,207	16,975,868	16,490,992	18,009,498	19,285,601
F. Preliminary GFC	17,087,207	17,087,207	16,316,127	16,316,127	16,316,127
G. Surplus/(Deficit), F-E	$ -	$ 111,339	$ (174,865)	$ (1,693,371)	$ (2,969,474)

Resource Management Agency – The Resource Management Agency (RMA) current year estimate projects $30.4 million in expenditures, revenues of $13.5 million, and a general fund contribution of $17.0 million. In comparison to the modified budget, the Department estimates it will end the year with a surplus of $111,339. The surplus is a result of salary and benefits savings due to vacancies. Higher estimated expenditures and revenues for the current fiscal year are primarily due to the move of Lake San Antonio (LSA) operations from the Enterprise Fund (Fund 452) to the General Fund. Additionally, new maintenance and special projects also contributed to the higher current year-end estimates for both revenues and expenditures. The forecasted deficits are a result of increased costs and flat revenues. Increasing non-discretionary costs include PERS pension contributions, employee health insurance premiums, liability insurance costs and utilities.

Sheriff-Coroner	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$107,286,038	$107,412,239	$119,144,734	$124,996,295	$131,195,221
B. COWCAP	8,187,647	8,061,446	8,061,446	8,061,446	8,061,446
C. Total Expenditures	115,473,685	115,473,685	127,206,180	133,057,741	139,256,667
D. Revenue	40,146,352	39,555,622	40,053,492	40,265,448	40,425,046
E. Financing Need, C-D	75,327,333	75,918,063	87,152,688	92,792,293	98,831,621
F. Preliminary GFC	75,327,333	75,327,333	79,765,407	79,765,407	79,765,407
G. Surplus/(Deficit), F-E	$ -	$ (590,730)	$ (7,387,281)	$ (13,026,886)	$ (19,066,214)

Sheriff-Coroner - The Sheriff's Office estimates ending the current fiscal year with a deficit estimated at $590,730. Expenditures are estimated at $115.5 million, while revenues are estimated at $39.6 million or $500,000 lower than the modified budget due to a delayed start of the Jail Based Competency Program, lowering reimbursable expenditures. There are unbudgeted and unexpected charges that the Department is trying to absorb within its budget, including the unbudgeted Cost of Living Wage Adjustments (COLA), employee separation payouts, health insurance for retirees and temporary staffing costs. In addition, overtime is expected to exceed its budget by $2.2 million. Most overtime hours are non-discretionary and needed to cover minimum staffing requirements to cover shifts of employees on workers' compensation injuries or sick leave. Measures have been implemented to control and mitigate overtime. Most of the increase in unbudgeted expenditures is offset with salary savings from vacant positions, a reduction in COWCAP, and Unemployment Insurance allocations. However, the department estimates ending the year with a GFC deficit of $590,730. The Sheriff’s Office projects growing deficits in the forecast years increasing from $7.4 million in FY 2020-21 to $19.1 million by FY 2022-23 due to significant increase in the general liability insurance and increases in salaries, PERS retirement and health insurance premiums. The forecast assumes all positions are filled.

Social Services	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 207,386,490	$ 197,618,967	$ 207,940,278	$ 210,302,960	$ 214,097,605
B. COWCAP[1]	5,792,840	5,164,889	5,167,017	14,083,598	14,203,598
C. Total Expenditures	213,179,330	202,783,856	213,107,295	224,386,558	228,301,203
D. Revenue	197,966,246	187,543,226	193,850,076	204,345,958	206,972,959
E. Financing Need, C-D	15,213,084	15,240,630	19,257,219	20,040,600	21,328,244
F. Preliminary GFC	15,213,084	15,213,084	16,798,163	16,798,163	16,798,163
G. Surplus/(Deficit), F-E	$ -	$ (27,546)	$ (2,459,056)	$ (3,242,437)	$ (4,530,081)

[1] The Department of Social Services estimates their cost plan charges will increase in FY 2021-22 by $8.9 million due to ITD charges not reported to the State and instead included in the County's COWCAP calculation.

Social Services - The Department of Social Services (DSS) estimates year-end expenditures of $202.8 million, revenue of $187.5 million and a General Fund Contribution of $15.2 million, resulting in a deficit of $27,546. Year-end expenditure estimates decrease by $10.4 million due to $5.4 million in salary savings, $1.8 million less in CalWORKS entitlement payments due to declining caseloads, and a $6.1 million error in IHSS appropriations (explained below). These savings were offset by a $3.1 million increase in Out of Home care costs due to a 4.15% increase to foster care rates as well as an increase in costlier Probation cases. Year-end revenue estimates declined by $10.4 million due to a $5.4 million decline in reimbursable staff costs, a $6.1 million IHSS appropriations error, and $2.1 million less in revenue for CalWORKS entitlements. These declines in revenue were offset by an increase in revenue in Out of Home Care of $3.1 million corresponding to increased costs including a $1.0 million use of fund balance. It should be noted that the year-end estimate was completed at a time when only one quarter of fiscal data was available to estimate earned revenues. These estimates may change before year-end closing.

In-Home Supportive Services had a $6.1 million decrease in expenditures and revenues due to a technical error for an IHSS wage increase adopted in the beginning of FY19-20. The full $7.1 million cost of the wage increase was appropriated (both expenditures and revenues) when only the $1.0 million County share of the cost should have been included. The remaining $6.1 million cost is handled at the state level instead of the County level. There is no net general fund impact as a result of this error which the Department expects to correct by the close of the fiscal year.

The estimated deficits for the forecast years are directly related to the increase in salaries, PERS, health insurance, workers compensation, general liability insurance, and the loss of Whole Person Care revenues for the grant ending December 2020. Future cost pressures include a 4% ongoing inflation factor applied annually to the IHSS MOE beginning FY 2020-21, an increase in Out of Home Care costs due to estimated 2.5% annual foster and adoption rate increases, and the increased County share of cost for the CalWORKs program covered by fund balance in the current year. Realignment funding is not yet known and was assumed to remain “flat” for the forecast.

Treasurer-Tax Collector	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Operational Expenditures	$ 8,464,246	$ 8,181,732	$ 8,694,780	$ 8,803,395	$ 8,925,168
B. COWCAP	(1,461,494)	(1,461,389)	(1,461,389)	(1,461,389)	(1,461,389)
C. Total Expenditures	7,002,752	6,720,343	7,233,391	7,342,006	7,463,779
D. Revenue	6,766,432	6,411,172	6,698,377	6,761,161	6,835,818
E. Financing Need, C-D	236,320	309,171	535,014	580,845	627,961
F. Preliminary GFC	236,320	236,320	334,587	334,587	334,587
G. Surplus/(Deficit), F-E	$ -	$ (72,851)	$ (200,427)	$ (246,258)	$ (293,374)

Treasurer-Tax Collector – The Treasurer-Tax Collector (TTC) projects year-end expenditures of $6.7 million, revenue of $6.4 million, and a general fund contribution (GFC) of $309,171. Use of GFC is estimated to exceed budget by $72,851. Year-end expenditures include unbudgeted costs of $115,500 for a retirement payout and the negotiated countywide 2% COLA. Overall, expenditures are expected to be under budget by $282,409, due to vacancies in the Revenue Division, and revenue is projected to be $355,260 below budget. The reduced revenue directly correlates with reduced spending in the Revenue Division, which receives cost recovery based on actual expenditures. Estimated expenditures in the last two forecast years assume minor increases for earned step increases, projected increases in service agreement expenditures, and countywide increases for healthcare insurance, PERS retirement, General Liability and other internal service charges. Forecasted revenue assumes allowable cost recovery based on estimated expenditures for Revenue Division and Treasury services, and conservative increases based on recent and current year experience.

OTHER MAJOR FUNDS

Road Fund – The Road Fund is a special revenue fund established per State law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects.

Road Fund	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Beginning Fund Balance	17,552,103	17,552,103	21,882,906	5,640,230	13,737,471
B. Revenue	59,369,669	55,245,692	56,929,457	53,750,207	68,005,990
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	76,921,772	72,797,795	78,812,363	59,390,437	81,743,461
E. Expenditures	54,581,989	50,914,889	73,172,133	45,652,966	59,575,651
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	54,581,989	50,914,889	73,172,133	45,652,966	59,575,651
H. Ending Fund Balance, D-G	$22,339,783	$21,882,906	$ 5,640,230	$13,737,471	$22,167,810

The Road Fund's primary funding source for road and bridge maintenance includes State Highway User Tax Allocation (HUTA or Gas Tax), the Transportation Agency for Monterey County (TAMC) retail transaction and use tax ordinance (Measure X), generating approximately $7.3 million annually and restricted for local road repair, maintenance, and safety projects and Senate Bill 1 (SB1), also known as the Road Repair and Accountability Act of 2017, which was established to address deferred maintenance on local street and road systems, as well as state highways, generating approximately $7.2 million annually.

The current year end estimate for revenue decreased by $4.1 million due to reimbursable construction phases for Davis Road Bridge, Monterey Bay Sanctuary Scenic Trail, Bradley Road Bridge, and Hall Road projects shifting to FY 2020-21. Similarly, expenditures are projected to decrease by $3.6 million primarily due to construction delays.

The Department projects the FY 2020-21 fund balance to decrease to $5.6 million as the Measure X balance decreases to $3.4 million in FY 2020-21 and SB1 will be fully exhausted. Gloria Road Iverson, River Road Overlay, Elkhorn Road Rehabilitation, Old State Road Rehabilitation projects are expected to be completed during next fiscal year.

The forecasted revenues and expenditures tend to fluctuate depending upon anticipated project activities and other influencing factors such as weather, permitting, funding, and staffing constraints. In FY 2020-21, Gonzales River Road Bridge, Hartnell Road Bridge, Monterey Bay Sanctuary Scenic Trail, Nacimiento Lake Drive projects are scheduled to be in construction which will drive expenditures and revenues up. Revenue and expenditures are expected to decrease in FY 2021-22 when these major projects are complete. In FY 2022-23, construction of the Davis Road Bridge will increase expenditures and revenues.

Four options for road funding for the next 10 years were presented to the Capital Improvement Committee in January 2020. The first option maintains the County's existing funding levels of $24.0 million per year. In this scenario, the Pavement Condition Index (PCI) of County roads drops from a current 48 to 42 with increasing deferred maintenance and a decreased service life of roads. Option 2 increases annual funding levels to $31.0 million a year, maintaining the current PCI level of 48, reducing deferred maintenance and increasing service life. Scenario 3 increases annual funding levels to $60.0 million, further reducing deferred maintenance and increasing PCI to 70 by the end of ten years. Scenario 4 further increases PCI to 79 with a funding level of $73.0 million per year.

Monterey County Free Libraries – The Monterey County Free Libraries (MCFL) was established to provide library services to the diverse communities of Monterey County under the County Library Law

Monterey County Free Libraries	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
A. Beginning Fund Balance	$ 1,874,070	$ 1,874,070	$ 1,737,203	$ 1,675,750	$ 1,684,061
B. Revenue	10,973,691	10,366,531	10,133,532	10,372,832	10,618,046
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	12,847,761	12,240,601	11,870,735	12,048,582	12,302,107
E. Expenditures	11,259,647	10,503,398	10,194,985	10,364,521	10,610,681
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	11,259,647	10,503,398	10,194,985	10,364,521	10,610,681
H. Ending Fund Balance, D-G	$ 1,588,114	$ 1,737,203	$ 1,675,750	$ 1,684,061	$ 1,691,426

For the current fiscal year, the Library Department is projecting to increase its use of fund balance. The use of fund balance is mainly to cover the cost of purchasing 350 computers, a project that began in FY 2018-19. The computers in the branch libraries were operating on a Windows 7 environment. As of January 2020, Microsoft no longer supports Windows 7. Current year expenditures include the 2% increase in salaries. The Department is finding ways to absorb the salaries and benefits cost increase and projects salary savings from vacancies will help cover the increase in costs.

The current budget also includes the purchase of a new bookmobile, which is funded in full by a contribution from the Foundation for Monterey County Free Libraries. Additional operating expenses arising from opening the Parkfield library branch will be absorbed into the Library Department's operating budget, including one-time expenses such as purchase of an opening collection, and ongoing expenses for staffing.

The Library is projecting property tax revenues continue to increase next fiscal year at a rate of 3%. County projections for property tax revenue growth for next year is 4%. For the two out years, the Library is projecting an increase of 2.5%, in line with County projections. Despite anticipated increases in property tax revenues, fiscal year 2020-2021 may continue to experience an erosion of the fund balance due to increasing costs for salaries and benefits, insurance costs, increases for rent, janitorial services, and utilities. In addition, repairs to library facilities are increasing, with these unexpected costs being mandatory for safe provision of public library services. The Library Department is completing a Strategic Plan, with stewardship of the organization as a guiding principle, and a focus on evaluation of operational costs and financial structures including contracts, efficiencies, and maximizing effective philanthropy.

For forecasted fiscal years 2021-2022, and 2022-2023, the Library Department projects a slight increase in Fund Balance while the Department continues to strive to control all discretionary expenditures. Staff is committed to garner technology and library services grants to augment program and technology needs. The Foundation for Monterey County Free Libraries is committed to continue funding ongoing programs such as Homework Centers, Summer Reading Program, and outreach to youth in the community. Various Friends of the Library groups continue to support and fundraise on behalf of local branch libraries.

The Library Department's upcoming capital improvement projects for the next three years include the addition of a rural library in Bradley, and the Director is working toward developing a library services solution for the East Garrison community and exploration of possible leases in partnership with cities and school districts. The Foundation for Monterey County Free Libraries is holding a grant to create a small landscaped area around the San Lucas branch. A significant unfunded need at this time is a new full-service bookmobile, replacing a vehicle which is outside its serviceable life, and is costing the Department increasing amounts to maintain as well as disrupting service due to frequent breakdowns.

Behavioral Health – Pursuant to Welfare and Institutions Code Section 5600, the Health Department's Behavioral Health Bureau provides a continuum of County operated and community-based substance use disorder and mental health services. The program provides community prevention programs, crisis intervention, inpatient psychiatric services, social rehabilitation, supportive housing, and outpatient services primarily to Monterey County Medi-Cal beneficiaries who meet the State Department of Health Care Services, Mental Health Division's medical necessity criteria. In addition, the program also serves many non Medi-Cal eligible residents who have behavioral health disorders.

Behavioral Health	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Beginning Fund Balance	$42,410,810	$42,410,810	$39,482,730	$32,599,515	$24,308,896
B. Revenue	144,620,465	133,038,162	134,617,308	126,605,756	128,044,641
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	187,031,275	175,448,972	174,100,038	159,205,271	152,353,537
E. Expenditures	147,620,465	135,966,242	141,500,523	134,896,375	137,665,671
F. Provisions for Assigments	8,400,000	8,400,000	8,400,000	8,400,000	8,400,000
G. Total Financing Uses, E+F	156,020,465	144,366,242	149,900,523	143,296,375	146,065,671
H. Ending Fund Balance, D-G	$31,010,810	$31,082,730	$24,199,515	$15,908,896	$ 6,287,866

The Department estimates year-end expenditures of $136.0 million and revenues of $133.0 million. Expenditures and revenues are estimated below the modified budget by approximately $11.6 million. Expenditures are lower primarily due to a higher than budgeted vacancy rate generating $4.8 million in salary and benefit savings and lower operating transfers out in the Whole Person Care program in the amount of $4.2 million. Revenues are estimated at lower levels since the vacancy rate affects levels of service and therefore revenue levels.

The forecast years show an overall decrease in expenses and revenues due to the phase out of the Whole Person Care grant which ends in December of 2020. The grant accounted for approximately $10.0 to $11.0 million per year. Excluding this significant change, salaries and benefits as well as contracted services are projected to increases by approximately 8.0% resulting in a significant reduction in fund balance. However, the Department will monitor the increases as it prepares the FY 2020-21 budget and will adjust as needed to reduce this impact. As reported in the FY 2018-19 year-end report, fund balance includes $8.4 million in assigned funds for potential future Medi-Cal program settlement costs.

Emergency Communications – The Emergency Communications Department provides dispatch and call taking (9-1-1 and non-emergency) to Monterey County residents and law enforcement, fire protection and emergency medical dispatch services for over 30 local, regional, county, and State public safety agencies.

Emergency Communications	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Beginning Fund Balance	$ -	$ -	$ 348,339	$ 698,348	$ 1,048,347
B. Revenue	12,631,743	12,690,386	13,229,433	13,586,519	13,930,118
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	12,631,743	12,690,386	13,577,772	14,284,867	14,978,465
E. Expenditures	12,277,898	12,342,047	12,879,424	13,236,520	13,580,119
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	12,277,898	12,342,047	12,879,424	13,236,520	13,580,119
H. Ending Fund Balance, D-G	$ 353,845	$ 348,339	$ 698,348	$ 1,048,347	$ 1,398,346

The Department received over 731,000 phone calls and processed over 560,000 calls for service for Law, Fire and EMS events in 2019 (calendar year). The Department is operating under a special revenue fund effective FY 2019-20. The Department expects to end the current year with expenditures totaling $12.3 million and revenue totaling $12.6 million, including a County contribution of $1.9 million. The Department estimates requiring an additional $14,312 in County contributions, primarily due to the unbudgeted 2% wage increase that was approved in the current year. The Department will work to identify savings in the remaining fiscal year to absorb this short fall. The Department estimates a surplus of $348,339 in the current year. This surplus was planned through the annual budgeting process and will be set-aside as a reserve for future use. The Department's reserve is primarily used for replacement and upgrades to the Department's equipment, systems, and building.

Costs are expected to rise in the forecast years due to escalating salaries, pension, healthcare costs, as well as rising costs of service agreements that maintain the operations at the Department. These escalating costs will require $300,000 in additional County contributions by FY 2022-23 to maintain current levels of service. The Department anticipates continuing to build its reserves through the forecast years, by $350,000 annually as recommended by the Department's Executive Board. The forecast assumes fund balance will end at $1.4 million by FY 2022-23 based on the assumption that it collects reserve payments annually.

Natividad Medical Center - Natividad Medical Center (NMC) is a County enterprise fund, defined as a governmental fund that provides goods and services to the public for a fee, which makes the entity self-supporting.

Natividad Medical Center	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Beginning Fund Balance	124,712,392	124,712,392	$ 155,019,855	$ 158,197,473	$ 150,399,015
B. Revenue	356,673,893	340,733,393	354,622,499	394,655,129	405,992,705
C. Total Financing Sources, A+B	**481,386,285**	**465,445,785**	**509,642,354**	**552,852,602**	**556,391,720**
D. Expenditures	331,301,564	310,425,930	351,444,881	402,453,587	421,166,362
E. Total Financing Uses	**331,301,564**	**310,425,930**	**351,444,881**	**402,453,587**	**421,166,362**
F. Ending Fund Balance, C-E	$ 150,084,721	$ 155,019,855	$ 158,197,473	$ 150,399,015	$ 135,225,358

Revenue: Net revenue for the current year is expected to fall $16.0 million below budget. The estimated decrease arises from less than anticipated reimbursements for capital projects from NMC's capital strategic reserve fund. Operating revenue is expected to exceed budget primarily from an improved payor mix providing a more favorable collection rate. Net patient revenue is forecasted to increase conservatively in fiscal years 2021-2023. The increase is primarily attributed to an increase in the average daily census, an improved payor mix, offset with a decline to the 1115 Waiver through 2020. The 1115 Waiver provides federal funding for public hospital redesign and incentives, as well as funding to assist with the uninsured population. Renewal of a new Waiver is currently under consideration by state and federal agencies with a goal to preserve existing funding for Medi-Cal and the uninsured patients for the next several years.

Operating Expenses: Current year operating expenses are expected to be slightly lower than budget $20.9 million due to cost management and lower capital project costs. Operating expenses for fiscal years 2021-2023, are projected to increase by an annual average of 2.4% due to annual cost increases for projected volume and increases in employee salaries and benefits, medical supplies, other medical services and utilities.

Capital Expenditures: The current year and the forecasted years include costs for capital projects. NMC forecasts to spend on average $45.0 million annually on capital projects. A capital strategic reserve fund has been established for capital projects and purchase of equipment.

Some of the highlighted projects include: (1) Remodeling the Radiology Department and replacing obsolescent medical equipment including the Computer Tomography (CT) and Magnetic Resonance Imaging (MRI); (2) Remodeling the Pharmacy Department; (3) Replacing the current nurse call system; (4) Replacing the angiography equipment; (5) Upgrading the chemical analyzer for testing in the laboratory department; and (6) Overall upgrade of the facility internal and external.

Net Results: NMC projects a decrease in net position from operations totaling $19.8 million over the current and forecasted years.

Parks – Lakes Resorts – The Parks Lake & Resort Operations Fund is a County enterprise fund, defined as a proprietary fund that provides goods and services to the public for a fee, which makes the entity self-supporting.

Parks - Lakes Resorts	Modified Budget 2019-20	Year-End Estimate 2019-20	Forecast		
			2020-21	2021-22	2022-23
A. Beginning Fund Balance	(2,733,381)	(2,733,381)	(2,709,332)	(2,321,031)	(1,922,281)
B. Revenue	4,921,323	4,226,157	4,262,465	4,262,465	4,262,465
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	2,187,942	1,492,776	1,553,133	1,941,434	2,340,184
E. Expenditures	4,393,198	4,202,108	3,874,164	3,863,715	3,852,958
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	4,393,198	4,202,108	3,874,164	3,863,715	3,852,958
H. Ending Fund Balance, D-G	$(2,205,256)	$(2,709,332)	$(2,321,031)	$(1,922,281)	$(1,512,774)

The Lakes began FY 2019-20 with a negative $2.7 million net position and is estimated to end the current year negative $2.7 million. Both revenues and expenditures are expected to be less than budgeted. Lake San Antonio was removed from the Enterprise Fund this fiscal year and is now included with the Parks General Fund unit. Additionally, the current year budget will reflect the new management agreement with Urban Parks Concessionaires dba Monterey Lakes Recreation Company (Basecamp). The agreement allows for reimbursement of the operator's expenses in additional to a management fee and incentive fee which are calculated as part of the $4.2 million in expenses. The concessionaire's operations revenue is estimated at $3.7 million, with an additional $519,206 transfer in to cover the cost of the annual debt payments related to Lake Nacimiento for a total revenue of $4.2 million. The County will continue to be responsible for capital expenses such as repairs to infrastructure.

Lake water levels have improved. Currently, water levels are higher with storage capacity at 52% for Lake Nacimiento compared to 11% the same period last year. This is good news for recreation as it will draw camping and boating activities, potentially increasing revenue.

The Resource Management Agency is working closely with the operator's management on the monitoring of its staff assignments, expenditures and marketing of the facilities. Both the operator and the County are actively pursuing special events to benefit recreation facilities.