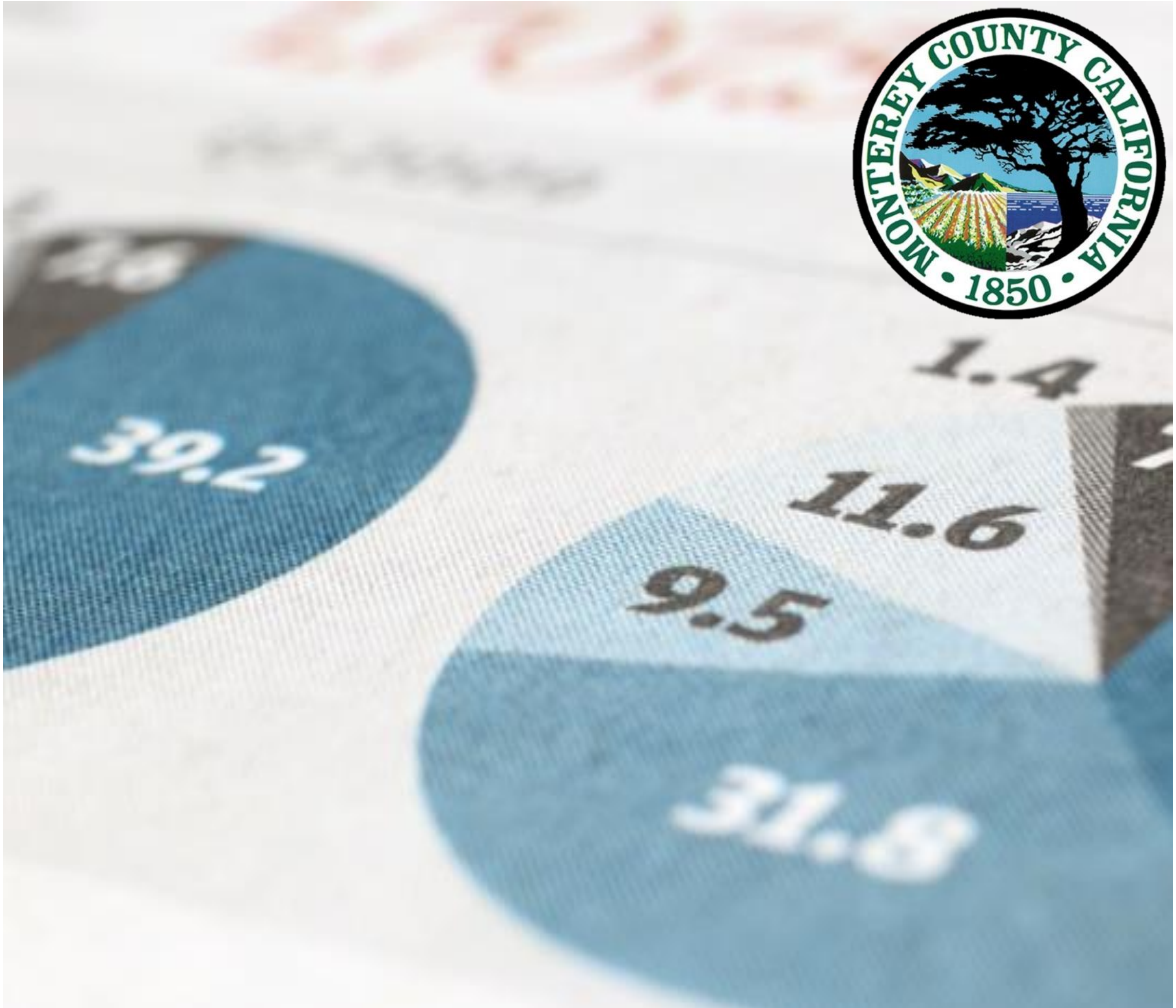


Budget End of Year Report

Fiscal Year 2019-20

County Administrative Office 11/17/20

INTRODUCTION

The County Administrative Office is pleased to present the Budget End-of-Year Report (BEYR) for Fiscal Year (FY) 2019-20. This report is prepared to promote financial transparency and responsible financial oversight. The BEYR provides a comprehensive analytical comparison between the County's final modified budget and year-end results by reviewing the following items:

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

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

GENERAL FUND HIGHLIGHTS

The general fund supports core governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The FY 2019-20 adopted budget included $687.5 million in appropriations, matched by an equivalent amount of financing. Throughout the year, subsequent modifications increased appropriations by $24.9 million, financed by additional revenue and fund balance for one-time expenditures. The County ended the fiscal year with a favorable performance compared to the final budget.

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Unassigned Fund Balance (FY 2018-19)	$ 1.3	$ 2.1	$ 2.4
Cancellation - Restricted Fund Balance	4.6	5.1	5.5
Cancellation - Assigned Fund Balance	11.7	23.9	12.9
Revenues	669.8	681.3	647.2
Total Financing Sources	**687.5**	**712.4**	**667.9**
Financing Uses:			
Addition - Restricted Fund Balance	$ -	$ -	$ 6.9
Addition - Assigned Fund Balance	-	-	19.3
Addition - Strategic Reserve	-	-	0.5
Expenditures	687.5	712.4	640.2
Total Financing Uses	**687.5**	**712.4**	**666.9**
Unassigned Fund Balance:	**0.00**	**-**	**1.0**
Obligated in FY 2020-21[1]			(0.6)
Estimated Unassigned Fund Balance:	**0.0**	**-**	**0.4**

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

[1]$0.6 million in FY 2018-19 unassigned fund balance was utilized to balance the FY 2020-21 Adopted Budget.

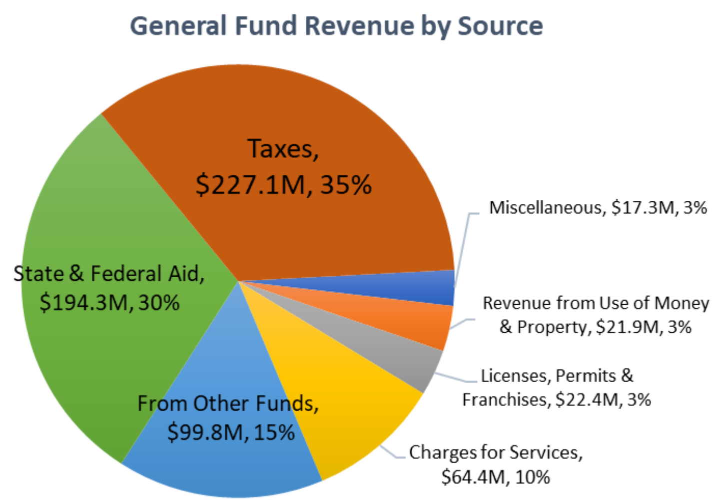
Highlights of general fund performance include:

- Overall results are favorable, with revenues of $647.2 million exceeding expenditures of $640.2 million for a year-end operating surplus of $7.0 million.
- County discretionary revenue performed strongly and above budget, led by cannabis tax receipts totaling $16.9 million, $11.4 million more than the conservative estimate adopted in the budget.
- Other forms of discretionary revenue had more volatile results due to the impact of the COVID-19 pandemic. Discretionary revenue, excluding cannabis receipts, beat budget estimates by $6.3 million. The favorable performance was led by other property taxes, investment income earned on the County's growing fund balances, and franchises fees, which exceeded budgeted amounts by $9.5 million in the aggregate. As a result of the pandemic, property taxes, transient occupancy taxes (TOT), and sales & use taxes came in below budget by $4.6 million in the aggregate.
- Year-end expenditures were $72.3 million below the final modified budget largely due to salary and benefit savings from vacant positions ($31.7 million), reduced capital and lower-than-planned program outlays mainly in health and social service areas ($17.9 million), lower transfers outs to other county funds ($7.6 million), and unused contingencies among various departments ($8.3 million), and lower operating costs at Laguna Seca Recreational Area as a result of the pandemic ($6.7 million).
- The County continued increasing its fund balances by adding $517,694 to the strategic reserve, reaching the 10.0% of estimated FY 2020-21 general fund revenue goal set by Board policy. The County also added $6.5 million into

assignments, including $5.7 million to the cannabis assignment and $3.4 million to the building improvement and replacement reserve.

- The County added $1.4 million to restricted and non-spendable fund balance as departments recognized revenue collected for defined purposes.
- Excluding non-departmental budgets, thirteen departments ended the fiscal year with a general fund contribution (GFC) surplus totaling $11.8 million. In comparison, eight departments had a GFC deficit totaling $8.0 million, resulting in a net GFC savings of $3.8 million.
- The County Administrative Office estimates ending the fiscal year with an unassigned fund balance of $1.0 million. Of this amount, $570,000 is obligated to fund one-time expenditures in the FY 2020-21 adopted budget.

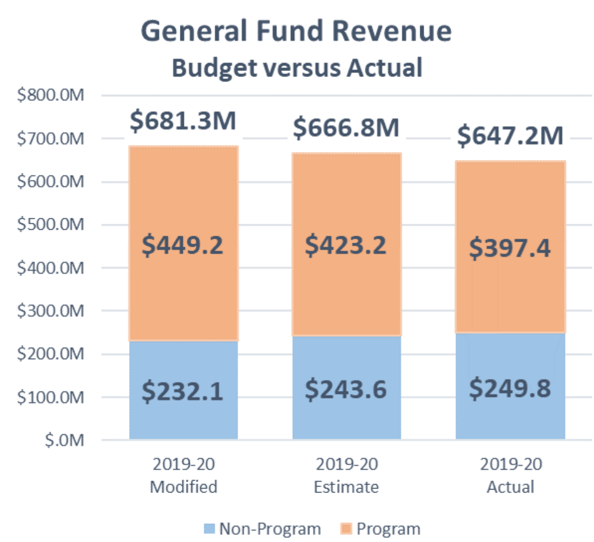
GENERAL FUND REVENUE



General fund revenue is composed of program and non-program revenue. Program revenue accounted for 61% of revenue and is designated and/or statutorily required for specific purposes. Sources of program revenue include: State and federal aid for various mandated programs primarily in health and social services; charges for services that are primarily fees collected by health clinics; and "from other funds" primarily includes reimbursement from realignment funds for health, social services, and public safety programs. Revenue from the use of money and property is composed primarily of revenue from Laguna Seca Recreational Area.

Non-program revenues account for 39% of the general fund's revenues. They are discretionary funds used to address local priorities, leverage federal and State monies, and to meet maintenance of effort requirements. Non-program revenue sources are primarily derived from taxes, including property taxes, TOT, cannabis tax, and sales & use tax. Revenue from the use of money and property includes investment income from fund balance.

Revenues of $647.2 million were $34.1 million below budget.
Major variances included:

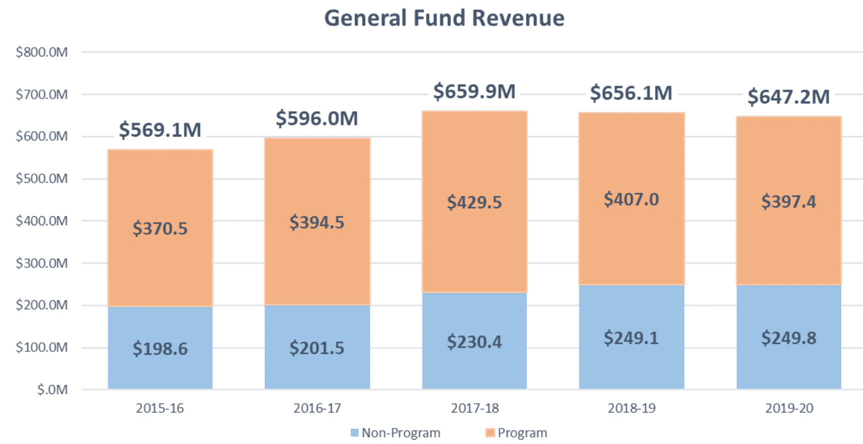


- Discretionary "non-program" revenue exceeded budget estimates by $17.8 million due to favorable cannabis program receipts, investment income earned on the County's growing reserves, and steady growth in property taxes.
- $15.4 million in cannabis revenue exceeded amounts budgeted for operations by $11.4 million. FY 2019-20 will be the last year that only a portion of this revenue will be budgeted. Starting in FY 2020-21, cannabis tax will be programed into the baseline GFC
- Gains in discretionary revenue were offset by $51.8 million in unfavorable variances in program revenue.
- $20.0 million less revenue from in State and federal aid is attributed to lower-than-planned caseloads and associated reimbursable expenditures in social and health services and delayed reimbursements.
- $16.3 million less in transfers in from realignment funds to public safety and social service programs due to lower sales tax revenue as a result of the pandemic impact on tax revenue.
- Health fees were $6.8 million lower than budget due to lower-than-budgeted service levels in the clinics resulting

from vacancies and redirecting of staff to pandemic-related services. Laguna Seca Recreational Area saw revenues for rents/concessions come in $6.2 million below budget due to the pandemic.

- The agricultural commissioner saw a $1.0 million decrease from the phasing out of the head lettuce inspection program. The Treasurer-Tax Collector saw a decrease of $1.3 million in revenue due to lower reimbursable expenditures and reduced collections resulting from the pandemic.

Revenues decreased by $8.9 million over the previous year.
Program revenue saw a decrease of $9.6 million compared to the prior year. Starting in FY 2019-20, the Emergency Communications Department began to record its operations under their new special revenue fund (Fund 028). This is one of the primary reasons why program revenue decreased compared to prior years. Charges for services were $10.0 million lower than FY 2018-19 largely due to ECD's move out of the general fund and a non-gubernatorial election fiscal year.

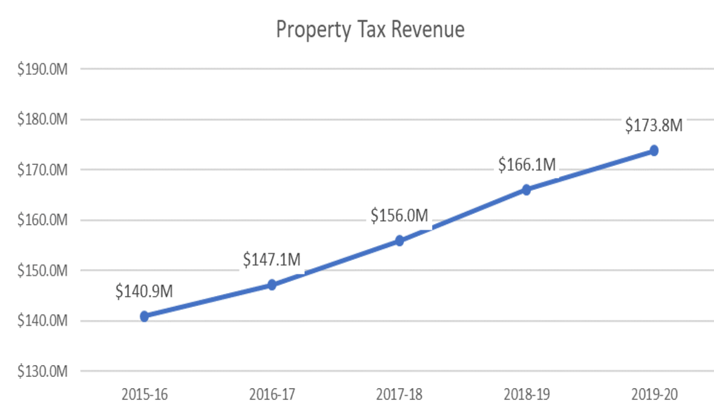


Other year-over-year variances include:

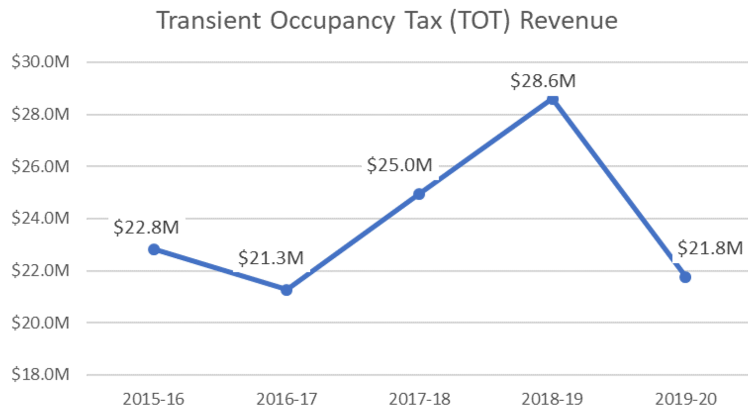
- $1.3 million in higher forfeitures and penalties largely from a one-time Health Department settlement.
- A $4.0 million decrease in concession revenue at Laguna Seca Recreational Area.
- $8.8 million in higher State and federal reimbursements due to the increase in grant amounts for CalWORKs participants and other social services programs.
- A $4.8 million decrease in operating transfers from realignment funds to public safety and social service programs due to lower sales tax revenue due to the pandemic.
- $1.0 million in lower miscellaneous revenues derived mainly from lower reimbursement for Out of Home Care.

Discretionary non-program revenue increased $724,799 over the prior year. The minimal increase is due to improved property tax revenue and cannabis tax revenue. In contrast, more volatile revenues such as TOT and sales tax saw decreases due to the pandemic's long-term impacts. The trends for property tax and TOT, the two largest non-program revenue sources, are shown to the right.

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

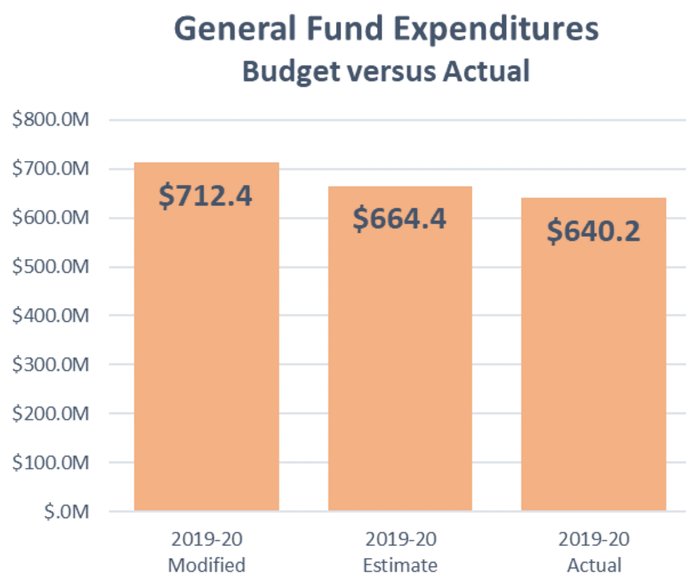


- A $7.7 million increase in property taxes due to higher assessments performed by the County Assessor and other property tax revenue from redevelopment agencies, primarily attributed to a one-time sale of a property.
- A $1.6 million increase in cannabis tax revenue.
- An increase of $1.3 million in investment income and franchises fees.
- A $6.8 million decrease in TOT resulted as FY 2018-19 included revenue from the US Open and the pandemic impacted the hospitality industry in FY 2019-20.
- A $3.0 million decrease in sales & use taxes and real property transfer tax due to pandemic.



GENERAL FUND EXPENDITURES

General fund expenditures ended the year at $640.2 million or $72.3 million below the final budget. As a result of the pandemic, departments were more vigilant about expenditures and held a self-managed hiring freeze. Lower expenditures are attributed to salary savings from vacant positions and lower-than budgeted healthcare costs, and lower operating expenditures primarily in health and social services programs, as explained below.



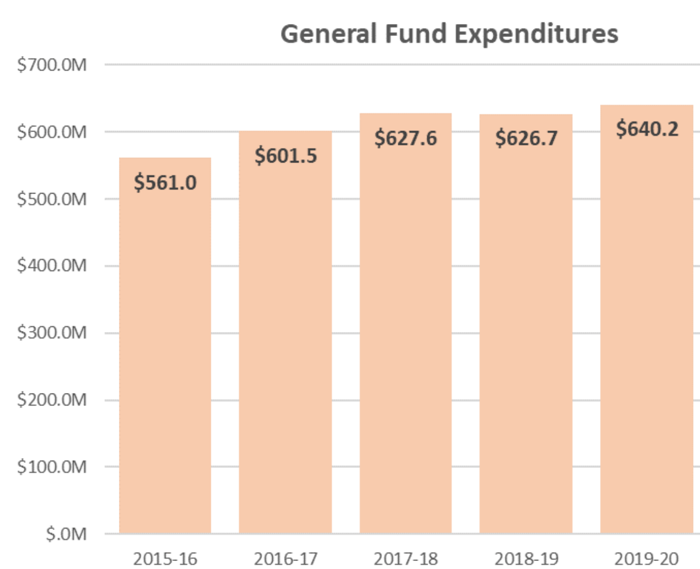
Key areas of unspent appropriations:

- The County Administrative Office has lower than budgeted expenditures of $21.4 million. Reasons include:
  - $7.0 million in lower-than-planned transfers to other funds primarily from lower debt service, no surplus to transfer to the vehicle asset management program, and unspent allocation for Emergency Operations Center's response to the local emergency declaration for the pandemic.
  - $6.7 million due to lower operating expenditures at Laguna Seca Recreational Area due to the canceling of major events due to the pandemic.
  - $3.7 million in lower vehicle maintenance and not transferring planned surplus to another county fund.
  - $2.8 million in unspent appropriations for contingencies.
  - $1.2 million in lower expenditures and higher interdepartmental reimbursement other service areas like records retention, trial courts, finance and intergovernmental/legislative affairs.
- Expenditures for Social Services were $18.0 million below budget due to lower-than-planned expenditures for entitlement programs and operating expenditures ($10.5 million), salary savings due to prolonged vacancies from hiring challenges ($6.2 million), and lower transfers, unused contingencies, and capital outlay costs (1.3 million).
- The Health Department's expenditures were $16.8 million lower than budget due to salary savings ($13.5 million) primarily due to a 20% vacancy rate in clinics. The Health Department had $0.6 million less in operating expenses intended for Whole Person Care.
- The Resource Management Agency's expenditures were $3.4 million below budget largely due to salary savings from vacancies ($1.8 million) and lower building maintenance and utility costs ($1.6 million).
- The ITD had unused appropriations of $1.9 million resulting from $1.2 million in salary savings due to unplanned vacancies and $0.7 million in higher-than-planned reimbursements.
- The Sherriff has lower appropriations of $1.5 million due to lower operating costs such as capital outlay and other

reimbursable programs like AB 109.

- The Agricultural Commissioner did not spend $1.0 million in appropriations due to salary savings ($1.7 million) offset by higher operating costs and transfer outs for capital projects ($0.7 million).
- Probation's expenditures were $1.5 million below budget due to salary savings (534,655) and lower operating costs such as federal and State programs in addition to institutional operations ($1.0 million).
- The Office of the Public Defender had expenditures $881,204 below budget due to lower than anticipated trial expenses and salary savings from vacancies.
- County Counsel had unused appropriations of $767,854 largely due to salary savings from unanticipated vacancies ($1.4 million) and lower operating expenditures ($250,792) that was offset by lower reimbursements from the internal service funds due to lower general liability cases and vacancies in risk management ($876,978).
- The District Attorney had unused appropriations of $476,765, resulting from salary savings ($1.4 million) offset by higher operating expenses such as trial expenses ($1.0 million).
- Elections had unused appropriations of $348,465 from savings in ballot printing services and low temporary employee costs due to fewer-than-planned local elections.
- The following departments had a combined $3.6 million in unused appropriations chiefly because of salary and benefit savings from vacant positions: Child Support Services ($865,673), Auditor-Controller ($809,844), Human Resources ($693,777), Assessor-County Clerk-Recorder ($548,970), Treasurer-Tax Collector ($480,544), Clerk of the Board ($127,222), Civil Rights ($17,254), Cooperative Extension ($17,972), and the Board of Supervisors ($86,310).

Expenditures grew $13.5 million higher than the prior year. Even with the transfer of the ECD's operations to fund 028, the general fund's expenditures grew year-over-year. Expenditures from the pandemic make up a significant portion of that increase and will be discussed in the following section.



The year-over-year growth for personnel cost was $3.4 million, with much of that growth due to rising pension costs and the wage increase received by most County employees. If the ECD has remained in the general fund, overall personnel costs would have increased $12.9 million year-over-year. More details on cost drivers relating to personnel costs are described in the Cost Drivers section.

Aside from rising personnel costs, other expenditures variances include:

- $9.5 million more in social service program costs such as Out of Home Care, public assistant payments (at least $632,212 tied to pandemic relief).
- $5.1 million in higher operating costs related to ongoing expenditures such as trial expenses, equipment and supplies, leases, and health services.
- $2.9 million in higher interdepartmental overhead allocation mainly in the health department ($400,000 related to the pandemic).
- $2.6 million in higher insurance cost largely due to an increase in general liability costs as a result of increased ligation and settlement costs.
- $2.2 million in higher transfer out due to a one-time transfer to the general liability internal service fund.
- $1.3 million in expenditures related to the pandemic not tied to personnel costs and social service relief.
- $1.8 million in higher computer hardware costs (a 96% year-over-year increase) and software due to the pandemic and the need to purchase equipment for staff working from home.
- $6.6 million in lower contracted services primarily from reduced expenditures due to the canceling of major events

at Laguna Seca Recreational Area, offset by $702,054 in pandemic response expenses.

- $4.1 million in lower liability payments to the State for clinic reconciliations for any overpayments.
- $4.0 million in higher Cost Plan credits (reducing expenditures) and $2.2 million in lower interfund reimbursement (higher expenditures) mainly attributed to health department overhead.
- $2.8 million in lower interdepartmental chargers for IT operations, largely due to ITD no longer charging departments for services.

THE COVID-19 PANDEMIC – CARES ACT

Over halfway through the fiscal year, the nation faced an unexpected pandemic that continues to affect the County's operations. The County responded to the COVID-19 pandemic by opening work from home opportunities, redirecting personnel and services to the response to the pandemic, and by assisting external agencies with funding for our vulnerable community members. The County's response meant a significant investment of financial resources. Fortunately, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law in March 2020. The CARES Act provided funding to local governments to be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic. The CARES Act only covers expenditures incurred between March and December 2020 due to the pandemic public health emergency which includes direct response and second order effects such as economic support. The funds cannot be used to backfill loss of revenue.

Large population local governments (population of 500,000 or more) received direct CARES allocations from the federal government while governments with population of less than 500,000 must receive their allocations from their respective states. California (State) received CARES funding of which the State allocated $1.3 billion to counties. Monterey County (County) is eligible to receive and has received a commitment of $44.9 million from the CARES Act. On August 18, your Board authorized a CARES Act spending plan. Some of those expenditures include $1.0 million in non-profit assistance, $3.9 million in housing/rental/utility assistance, $3.8 million in food assistance funding, $2.5 million for community testing services, $1.0 million to address the digital divide in schools, $1.7 million for contract tracing, $4.7 million for workplace preparedness, and $19.8 million for personnel costs for redirected staff.

The County's general fund departments spent $9.9 million in response to the pandemic in FY 2019-20. Of the $9.9 million, $7.1 million was related to personnel costs and the remaining for services and supplies. Departments identified $8.5 million out of the $9.9 million as CARES Act eligible expenditures. The table to the right breaks down expenditures by departments. The County will continue to monitor costs and any allowable expenditures exceeding the CARES Act allocation will be claimed for FEMA reimbursement. Since the State appropriated CARES Act funds in their FY 2020-21 budget for distribution to the counties, the County could not accrue estimated CARES Act funding spent in FY 2019-20. As a result, the County will earn the $44.9 million in CARES Act funding in FY 2020-21, of which an estimated $42 million will go to the general fund with corresponding increases in appropriations of $13.5 million.

Department	COVID-19 Expenditures	CARES Act Eligible Expenditures
Agricultural Commissioner	12,409	15,508
Assessor/Clerk/Recorder	78,016	181,785
Auditor-Controller	111,106	111,106
Child Support Services	35,481	-
Civil Rights Office	2,169	2,169
County Administrative Office	2,079,742	1,163,791
County Counsel	231,697	255,647
District Attorney	529,577	533,359
Health	3,983,121	3,208,061
Human Resources Department	261,060	261,060
Information Technology Department	71,115	-
Probation	168,330	168,330
Public Defender	34,116	16,621
RMA	52,442	390,115
Sheriff	467,222	1,512,505
Social Services	1,643,991	488,012
Treasurer-Tax Collector	133,726	244,237
Total	**9,895,318**	**8,552,306**

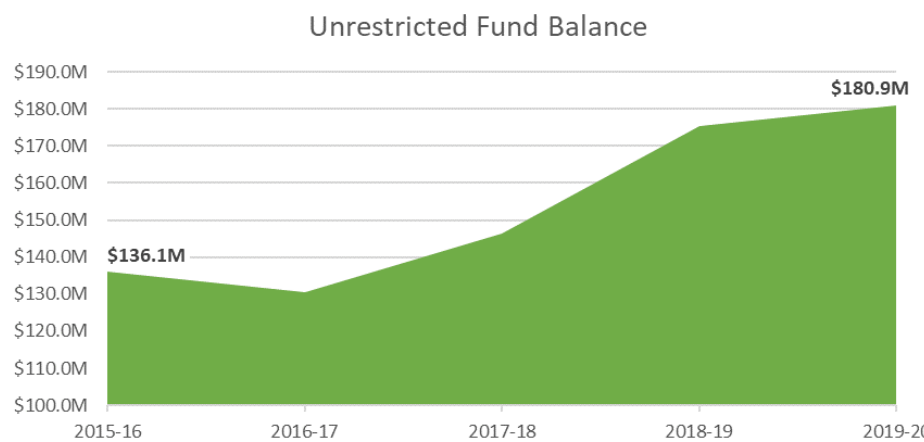
The County Administrative Office reevaluated the general fund's FY2020-21 non-program revenue and worked with all departments to estimate any program revenue impacts resulting from the pandemic. In FY 2020-21, non-program revenue is estimated being higher than the modified budget by $23.9 million. The increase is largely made up of CARES Act funds ($28.5 million) and property taxes ($1.0 million) offset by reductions in TOT ($4.1 million) and sales & use taxes and real property transfer taxes ($1.5 million). As a result of higher property tax revenue and the CARES Act funding, the County Administrative Office will not move forward with any reductions in the FY 2020-21 adopted budget. However, departments with identified program revenue reductions in FY 2020-21 will bring reports to the Budget Committee and the Board of Supervisors to address if those revenue reductions will warrant a modification to their budget or other budgetary actions.

Fund - Department	(Reduction)/ Increase Amount
General Fund (001)	**(10,888,505)**
County Administrative Office	(151,328)
Assessor-Clerk Recorder	(160,328)
Elections	732,737
District Attorney	(525,056)
Public Defender	(7,646)
Sheriff	(1,024,306)
Probation	(364,598)
Resource Management Agency	(2,496,907)
Health	(5,735,758)
Social Services	(1,155,315)
Road Fund (002)	**(2,269,343)**
MC Free Library (003)	**238,232**
Local Revenue (022)	**(3,204,302)**
Probation	(2,678,767)
Social Services	(525,535)
Behavioral Health (023)	**(1,437,218)**
Health and Social Services (025)	**(629,780)**
Social Services	(629,780)
Emergency Communications (028)	**(147,927)**
Total	**(18,338,843)**

Departments identified reductions of $18.3 million in program revenue as a result of the pandemic throughout all funds. In some cases, reductions in program revenue will be offset by staff redirected to COVID activities funded by the allocation of CARES Act revenue, which will be spent on CARES allowable expenses as allocated by the Board of Supervisors CARES Act spending plan. Approximately, $10.9 million of the revenue impact belongs in general fund operations but a large portion of that amount can be offset with CARES revenues for CARES related expenditures.

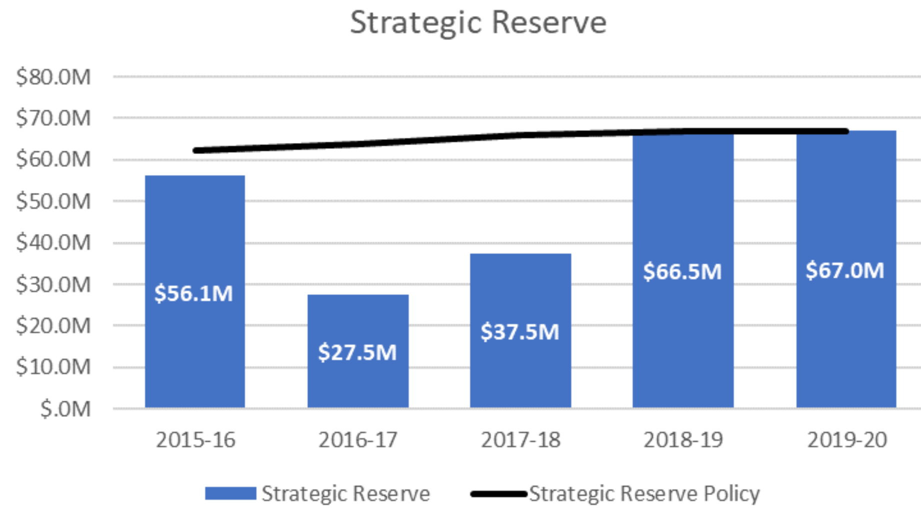
Elections will receive $732,737 through a State grant for elections outreach and operational expenses as a result of the impacts of the pandemic on the 2020 election. The RMA expects a reduction of $2.5 million from a loss in construction permit revenue, fees, and lower park revenues. Other departments, such as public safety and social service programs, estimated reduced revenues from federal sources such public health. Funds like Behavioral Health, realignment is seeing reducing revenue as a result of lower than expected sales tax revenue.

FUND BALANCE – PLANNING FOR FUTURE INVESTMENTS AND RISKS



Since the Great Recession, the Board has strengthened financial policies to restore the balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Since FY 2010-11, the County has invested year-end surpluses in its strategic reserve and other key investments, resulting in improvement to the County's ending fund balance almost every year. The unrestricted fund balance has grown from $91.7 million in FY 2011-12 to an estimated $180.9 million at the end of FY 2019-20.

A significant component of the unrestricted fund balance is the strategic reserve, which was established to fund unforeseen crises or changes in fiscal conditions, including: short-term revenue reductions due to economic downturns; legal judgments against the County in excess of reserves normally designated for litigation; declared natural disasters; one-time State budget reductions that could not be addressed through the annual appropriations for contingencies; and regional emergencies.

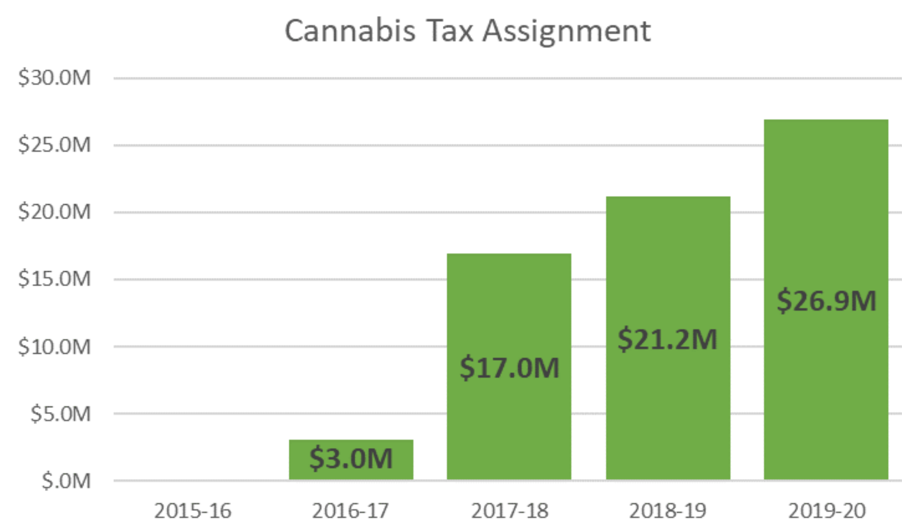


In FY 2016-17, the County faced wildfires and winter storms that caused infrastructure damage, affecting services to residents. The Board's strategic investments into the reserve positioned the County to respond quickly to natural disasters. The chart to the right reflects $28.6 million released from the reserve in FY 2016-17 for the disasters and other unplanned events. Under Board policy, the County Administrative Office has used good financial performance in recent years to rebuild the reserve.

After another year of favorable fiscal management, staff added another $517,694 to the strategic reserve, increasing the balance from $66.5 million to $67.0 million. The $67.0 million strategic reserve for the general fund is currently at 10.0% of general fund estimated revenues, hitting the 10% policy target prudently set by your Board. Also, by Board policy, Natividad holds $25.0 million of its own funds in the strategic reserve, for a total strategic reserve of $92.0 million at the end of FY 2019-20. Maintaining adequate reserves through robust management of the County's resources, including adherence to strong financial policies and practices, has allowed the County to retain a AAA rating from the credit rating agency Standard & Poor's and a AA+ from Fitch Rating Agency, which was recently evaluated and held this rating.

Other reserves include $14.6 million for future building improvement and replacement, $10.5 million for the vehicle asset replacement program, $8.0 million to mitigate the County's liability for leave accrual payouts.

Cannabis Tax Assignment



Another significant County reserve includes the $26.9 million in the Cannabis Tax Assignment sourced from Cannabis Tax Revenue per Board policy.

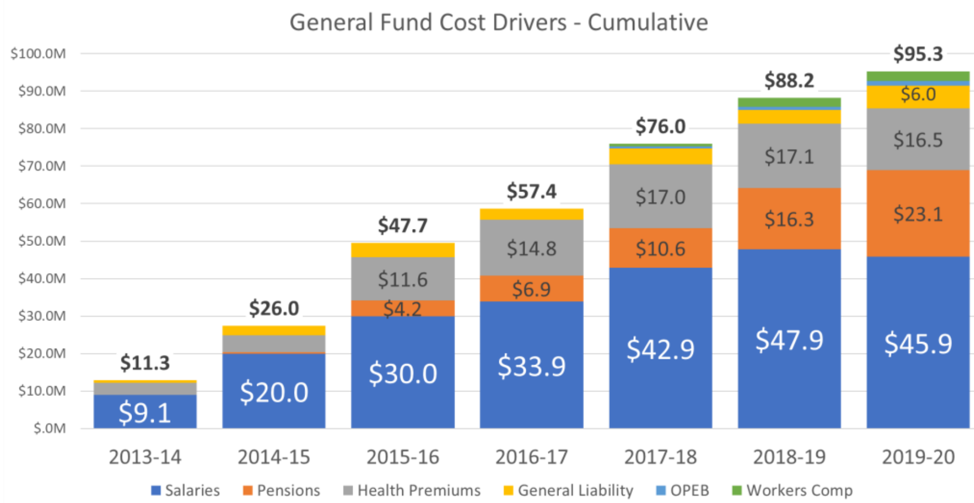
Since FY 2016-17, any cannabis tax revenue collected that was not a funding source for the cannabis program or any other Board authorized expenditure has been assigned to the Cannabis Tax Assignment. Starting in FY 2020-21, the total annual estimated cannabis tax is allocated to the cannabis program and to fund a portion of general fund contributions for general fund operations.

The Cannabis Tax Assignment began the year with $21.2 million. In FY 2019-20, the general fund collected $16.9 million in cannabis revenue. The cannabis program expenditures for the year totaled $3.3 million. Through the budget adoption and during the fiscal year, the Board authorized expenditures of $8.0 million for programs and contributions funded by the assignment; $1.7 million of the $8.0 million authorized was not spent, with most of it relating to expenditures authorized for the County's response to the pandemic. As mentioned in the COVID-19/CARES Act section, the County had to reverse previously accrued revenue of $7.5 million sent by the State. As a result of the reversal, $1.6 million from the Cannabis Tax Assignment was released to allow for an adequate amount of unassigned fund balance ($1.0 million) to remain in the balance sheet since some were set aside to balance the FY 2020-21 adopted budget.

Cannabis Tax Assignment	
Beginning Cannabis Tax Assignment Balance	**$21,198,756**
Cannabis Tax Revenue	16,941,614
Cannabis Program	(3,312,640)
Cannabis Tax Revenue Net income	**13,628,974**
Budgeted Use of the Cannabis Assignment	(7,973,890)
EOC/Project Room Key Unspent Cannabis Tax Assign	1,721,674
Cover the Deficit from FY20 CARES Funding Reversal	(1,627,676)
Net Use of Cannabis Tax Assignment	**(7,879,892)**
Ending Cannabis Tax Assignment Balance	**$ 26,947,838**

GENERAL FUND COST DRIVERS

The chart to the right reflects the major cost drivers impacting expenditures on a cumulative basis. Over the past seven fiscal years, these cost drivers have grown by $95.3 million, $7.1 million in FY 2019-20 alone. During that same time period, non-program revenue has only grown by $79.6 million.



Salaries are the biggest cost driver, growing $45.9 million over the last seven fiscal years due to an additional 156.5 full-time equivalent (FTEs) positions and wage increases. These costs could have been greater if the ECD's 75 FTEs has remained in the general fund. Healthcare premium costs have grown by $16.5 million. Pension contribution costs have grown $23.1 million cumulatively over this time, including a $6.8 million increase in FY 2019-20. Benefit costs are consuming an increasing share of the employee compensation package. In FY 2019-20, pensions, healthcare premiums, and other post-employment benefits (OPEB) totaled 31.0% of total salary and benefits compared to 25.6% six years ago. Beyond benefit costs, cumulatively over the past seven years, general liability program allocations have increased by $6.0 million. Workers' compensation funding requirements increased by $2.6 million and OPEB by 1.2 million.

Salary costs decreased $2.0 million over the prior year, largely due to the transfer of 75.0 FTES to ECD's Fund 028 in FY2019-20. Had those positions remained in the general fund, salary costs would have increased by $4.0 million compared to the prior year. Higher salary costs are associated with an increasing workforce and wage increases based on approved MOUs, which provided employees in most bargaining units a 2% raise in FY 2019-20. Over the past five years, the general fund has absorbed an average annual increase of $5.2 million in salary costs.

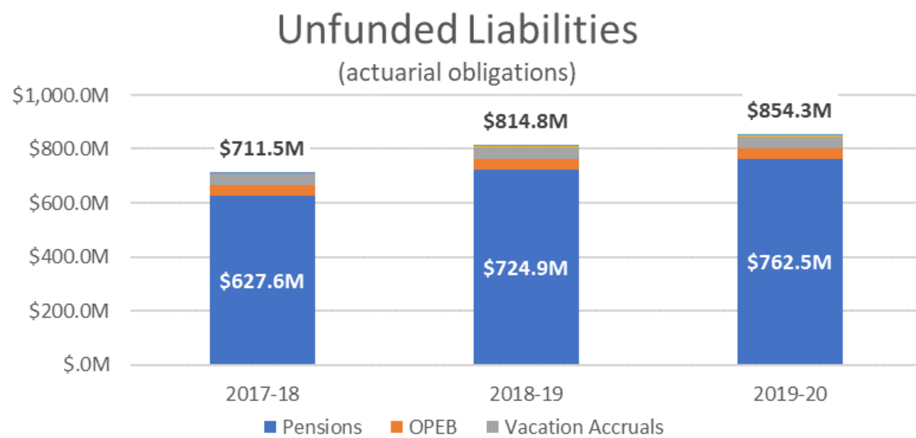
Contributions to CalPERS for employee pensions increased $6.8 million over the prior year. CalPERS implemented changes in actuarial methodology to accelerate payment towards agencies' unfunded liability and updated demographic assumptions as members continue to live longer and have higher salaries than previously estimated, thus resulting in higher lifetime benefits. Additionally, the CalPERS actuarial studies are assuming a lower discount rate, which will increase current and future contributions. Had ECD remained in the general fund, the year-over-year increase would have been $7.4 million.

Contributions to healthcare premiums decreased by $636,151 over the prior year. The decrease is a result of 75 FTEs transferred out of the general fund. Premiums would have increased by $456,773 over the prior year had ECD remained in the general fund.

General liability, OPEB, and workers' compensation costs increased $3.0 million over the prior year. OPEB, general liability, and workers' compensation costs all saw an increase over the prior year.

UNFUNDED LIABILITIES

The County incurs liabilities for benefits that are accrued. The unfunded liability is the amount, at any given time, by which future obligations exceed the present value of funds available to pay them. Some of the County's long-term obligations include: CalPERS' pension obligations, OPEB (retiree health insurance), vacation accruals, and the general liability self-insured program. The County's unfunded liabilities total $854.3 million, a $39.5 million increase from the prior year.



Unfunded employee pension benefits are the largest liability at $762.5 million. The County's pension plans provide defined retirement, disability, and death benefits to eligible employees. According to the latest actuarial dated July 2020, the County's total liability is $2.8 billion, with assets of $2.0 billion, resulting in an unfunded liability of $762.5 million. The pension plans' unfunded liability increased $37.6 million over the previous valuation, or 5.2%. Asset values have not kept up with the increasing cost of pension obligations. In December 2016, the CalPERS Board approved a lower discount rate, decreasing the assumed return on investment from 7.5% to 7.0% over three years. The change in the assumed discount rate increases the unfunded liability in the latest actuarial report and will significantly increase contribution payments annually from FY 2018-19 through FY 2024-25.

The unfunded liability of $39.6 million for Other Post-Employment Benefits (OPEB). The County participates in the California Employers' Retiree Benefit Trust (CERBT) to provide a low cost, professionally managed investment vehicle for pre-funding retiree health benefits and OPEB. The County's total liability is $80.5 million, with assets of $40.9 million, resulting in an unfunded liability of $39.6 million. The County makes regular contributions to CERBT based on actuarial valuations obtained every two years.

The unfunded portion of vacation accruals totals $45.2 million, representing the amount owed to employees for compensated time earned but not used. When an employee separates from the County, the employee is due their vacation accruals. In FY 2019-20, vacation accruals totaled $53.3 million. The County has reserved $8.0 million towards this obligation, leaving an unfunded liability of $45.2 million.

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

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

A CORRECTION IN FY 2020-21 TO THE WATER RESOURCES AGENCY COST ALLOCATION CHARGE

The County Administrative Office worked with the Water Resources Agency (WRA) to examine an error in the facilities and facilities maintenance charges in the FY 2020-21 cost plan. Due to an error in the cost tracking identification of buildings at the Schilling complex, FY 2018-19 actuals for facilities and facilities maintenance costs were mainly charged to occupants of the Schilling north building instead of all the Schilling buildings. As a result of this error, the FY 2020-21 cost plan charged the WRA $404,898 for its tenant space at Schilling. The County Administrative Office reviewed actual charges and noted the error in the cost plan. The WRA should have been charged $270,423, a difference of $134,475. Since the cost plan charges or refunds departments for over or undercharges ("roll-forward"), the WRA was also charged with a roll-forward. Hence, the overcharge for facilities and facilities maintenance for the WRA totaled $269,980. Since the cost plan has been approved by the State, the County can no longer make changes to cost plan allocations. The County Administrative Office recommends that the WRA does not absorb the cost plan overcharge and that the $269,980 in overcharges be financed out of fund balance in the Building Improvement and Replacement Fund (Fund 478, sub fund BIR).

LOOKING AHEAD

After weathering the Great Recession, the County's Board of Supervisors seized opportunities from the economic expansion to institutionalize a fiscally conservative culture and best-practice financial policies, adopt structurally balanced annual budgets without the use of one-time funds for operating needs, and significantly increase reserves. The expansion endured 128 months (over ten years), well beyond the average of 60 months, and contributed to a long stretch of revenue growth. Decisions made during these times and the federal relief via the CARES Act have allowed the County to continue to provide sustained service levels through all departments and minimizing reduction in personnel levels while responding to the pandemic. Continuing a culture of conservative financial management, avoiding ongoing commitment of "peak" revenues, building reserves, and paying down unfunded liabilities is essential to preserving sustainable service levels into the future.

Looking ahead to the next fiscal year, the County will begin negotiations with bargaining groups, which will further pressure the general fund to incur personnel cost increases. General fund contributions for pensions will increase an estimated $7.2 million next fiscal year (with similar increases in ensuing years). Costs for self-insured general liability and workers' compensation programs also increase significantly. Even if solid growth in discretionary revenue continues, it would not be enough to cover these increased costs. Cannabis revenue remained an untapped source of budgetary flexibility in FY 2019-20, but starting in FY 2020-21, cannabis tax will be programed into the baseline GFC. Only growth in current revenue sources will be available.

DEPARTMENTAL BUDGET PERFORMANCE

In FY 2019-20, County programs, services, and administrative functions were provided through 25 departments. Twenty-one of these departments receive funding from the County's general fund. Departments and major funds supported outside the General Fund include the Road Fund, Monterey County Free Libraries, Behavioral Health, Emergency Communications, Natividad Medical Center, Parks – Lake & Resort.

The annual budget approved by the Board of Supervisors is the County's central financial planning document embodying the annual goals, objectives, priorities, and levels of service and associated operating revenue and expenditures for all departments and agencies under the Board's authority. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department heads are responsible for managing their budgets within the total appropriation for their department. As established in the Board's General Financial Policies, expenditures shall not exceed appropriations and allocated discretionary General Fund contributions

(GFC). If revenues fall short, departments must take all available actions to re-establish a balance between revenue and expenditures, including developing service alternatives and mitigation strategies.

During the end of year analysis, the County Administrative Office discovered that Social Service's State In-Home Supportive Services program exceed its GFC allocation by $209,031. The General Financial Policies state that the County's discretionary revenue must not subsidize any State or federal programs. The County Administrative Office will continue to monitor that departments adhere to the Board's policies.

Unaudited year-end results indicate thirteen general fund departments ended the fiscal year below budgeted GFC, and eight exceeded their budgeted GFC. The combined surpluses and deficits resulted in an overall $3.8 million savings. Therefore, overall FY 2019-20 results are favorable in comparison to budgeted amounts. The table below summarizes year-end GFC results by department compared to the final budget, including budget modifications.

Department	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to (Adjusted) Actual
Agricultural Commissioner	$3,937,396	$3,960,316	$4,187,087	($226,771)	($249,691)
Assessor-County Clerk-Rec.	5,329,274	4,917,923	4,698,953	218,970	555,357
Auditor-Controller (Departmental)	1,391,177	1,245,300	659,772	585,528	731,405
Board of Supervisors	4,036,481	3,868,081	3,860,825	7,256	175,656
Child Support Services	(11,242)	0	324,439	(324,439)	(335,681)
Civil Rights Office	(120,753)	(127,922)	(178,221)	50,299	57,468
Clerk of the Board	864,627	744,021	732,068	11,953	132,559
Cooperative Extension Service	433,143	435,390	412,584	22,806	20,559
County Admin Office (Departmental)	11,913,769	7,958,003	6,509,465	1,448,538	5,404,304
County Counsel	1,478,663	488,377	508,947	(20,570)	969,716
District Attorney	12,917,985	12,359,026	13,835,983	(1,476,957)	(861,752)
Elections	4,210,252	4,214,432	4,149,700	64,732	60,552
Health	14,044,995	10,594,068	11,055,899	(461,831)	(2,373,707)
Human Resources	(703,079)	(973,879)	(919,550)	(54,329)	216,471
Information Technology	5,992,063	5,315,569	3,516,837	1,798,732	2,159,486
Probation	24,188,296	24,287,442	24,341,443	(54,001)	(153,147)
Public Defender	14,478,571	14,442,358	13,925,716	516,642	552,855
Resource Management Agency	17,493,900	16,975,868	15,716,008	1,259,860	775,713
Sheriff-Coroner	75,201,132	75,918,063	75,182,862	735,201	(20,823)
Social Services	16,095,325	15,240,630	20,132,640	(4,892,010)	(3,588,243)
Treasurer-Tax Collector	236,425	309,066	642,271	(333,205)	(406,712)
General Fund Department Totals [1]	**$213,408,400**	**$202,172,132**	**$203,295,729**	**($1,123,597)**	**$3,822,345**

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

Agricultural Commissioner

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$12,844,542	$11,550,936	$11,807,673
Revenues	8,907,146	7,590,620	7,620,586
GFC (Exp. - Rev.)	3,937,396	3,960,316	4,187,087
GFC Final Budget versus Actual:		Deficit	-249,691

- The Agricultural Commissioner's year-end results included $11.8 million in expenditures offset by $7.6 million in revenues and a General Fund Contribution (GFC) of $4.2 million.
- Expenditures were under budget by $1 million due to the phasing out of the head lettuce inspection program. This 43-year old industry funded program was discontinued in part due to its success and because the program no longer provided value to the market. Revenues were also under budget by $1.3 million due to phasing of the lettuce inspection program and delays in receipt of accrued revenue.
- The Department is showing a GFC deficit of $249,691 due to the timing of receipts. The Department accrued revenue in FY 2019-20 that was received after the 60-day window. To date, the Department has received $183,754 of these revenues and anticipates receiving another $423,795 in the current year for FY 2019-20. When AG uses more GFC it increased the MOE for used gas tax revenue draw, this creates higher future MOE.

Assessor-County Clerk-Recorder

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$9,460,930	$8,880,756	$8,568,100
Revenues	4,131,656	3,962,833	3,869,147
GFC (Exp. - Rev.)	5,329,274	4,917,923	4,698,953
GFC Final Budget versus Actual:		Surplus	630,321
Transferred to Restricted Fund Balance			74,963
Adjusted Financial Result:		Surplus	555,357

- Actual year-end expenditures were $892,830 below budget due to salary and benefit savings from vacant positions ($548,970) and a reduction in expenditures for various services and supplies ($343,860) attributed to the COVID-19 office closure.
- Savings in expenditures were partially offset with lower than anticipated tax assessment revenues ($104,958), recording fees ($78,755), miscellaneous revenues ($10,108), and a decrease in marriage license fees ($68,688) as weddings were cancelled or postponed due to COVID-19.
- The Department transferred $74,963 of restricted revenue to restricted fund balance resulting in a surplus of $555,357.

Auditor-Controller (Departmental)

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$1,892,024	$1,746,147	$1,195,336
Revenues	500,847	500,847	535,564
GFC (Exp. - Rev.)	1,391,177	1,245,300	659,772
GFC Final Budget versus Actual:		**Surplus**	731,405

- The Auditor-Controller departmental operations ended with a surplus of $731,405 primarily due to savings from position vacancies occurring throughout the year.

Auditor-Controller (Non-Departmental)

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$165,936	$48,055	$132,180
Revenues	0	0	0
GFC (Exp. - Rev.)	165,936	48,055	132,180
GFC Final Budget versus Actual:		**Surplus**	33,756

- Non-Departmental units administered by the Auditor-Controller's budget provide for functions that meet a county-wide need or responsibility. Year-end actuals reflect a General Fund Contribution surplus of $33,756 due to lower than budgeted audit costs.

Board of Supervisors

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$4,036,481	$3,868,091	$3,860,835
Revenues	0	10	10
GFC (Exp. - Rev.)	4,036,481	3,868,081	3,860,825
GFC Final Budget versus Actual:		**Surplus**	175,656

- The Board of Supervisors budget funds the five individual district offices and an operational unit for general Board expenditures.
- The Board ended the fiscal year with a surplus of $175,656 due primarily to salary savings from a vacancy, delayed rental of satellite office, and reduced travel expenses due to COVID-19.

Child Support Services

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$11,207,276	$10,493,411	$10,482,528
Revenues	11,218,518	10,493,411	10,158,089
GFC (Exp. - Rev.)	-11,242	0	324,439
GFC Final Budget versus Actual:		**Deficit**	-335,681

- The Department of Child Support Services (CSS) is funded entirely through State and federal subventions. The Department's expenditures were $724,748 lower than budget, while revenues were $1.1 million under budget, resulting in a deficit of $335,681. The lower expenditures are primarily the result of typical turnover within the Department.
- The deficit is attributed to timing in collection of revenue outside of the accrual deadline; $321,479 in accrual revenue was not received from the State before fiscal year close. The Department has received $301,401 to date and expects to collect an additional $33,182 of FY 19-20 revenue that will be recorded in September.

Civil Rights Office

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	-$120,753	-$127,922	-$178,221
Revenues	0	0	0
GFC (Exp. - Rev.)	-120,753	-127,922	-178,221
GFC Final Budget versus Actual:		**Surplus**	57,468

- The Civil Rights Office's resulting year-end GFC surplus is $57,468. The surplus is attributed mostly to salary savings from vacant positions at the end of the fiscal year, in addition to savings from developing and conducting training and workplace investigations in-house with existing staff.

Clerk of the Board

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$884,627	$764,021	$754,012
Revenues	20,000	20,000	21,944
GFC (Exp. - Rev.)	864,627	744,021	732,068
GFC Final Budget versus Actual:		**Surplus**	132,559

- The Department ended the year with a surplus of $132,559 due to salary savings from a vacant Management Analyst I position and a decrease in interpreter service cost.

Cooperative Extension Services

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$460,788	$442,715	$421,662
Revenues	27,645	7,325	9,078
GFC (Exp. - Rev.)	433,143	435,390	412,584
GFC Final Budget versus Actual:		**Surplus**	20,559

- Cooperative Extension Services ended the year with a GFC surplus of $20,559 due to salary savings from a position vacancy and savings in fleet services costs.
- The Department budgeted $27,645 in revenue for its reimbursed programs from the University of California of which $9,078 in revenues were collected to cover the salary of a part-time FTE.
- The discrepancy in revenue collected versus budgeted corresponds to a reduction in reimbursable hours the part-time FTE worked.

County Administrative Office - Departmental

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$13,227,664	$8,964,482	$7,294,741
Revenues	1,313,895	1,006,479	785,276
GFC (Exp. - Rev.)	11,913,769	7,958,003	6,509,465
GFC Final Budget versus Actual:		**Surplus**	5,404,304

- County Administrative Office Departmental includes the business areas of Finance and Administration, Budget and Analysis, Contracts/Purchasing, Fleet Management, Intergovernmental & Legislative Affairs, Office of Community Engagement & Strategic Advocacy, Records Retention, and Office of Emergency Services.
- CAO Departmental ended the year with a budget surplus of $5.4 million primarily due to lower-than-expected transfers from Fleet to Vehicle Asset Management Program for $3.6 million, and $1.2 million budget surplus attributable to the unspent allocation for Emergency Operations Center's response to the local emergency declaration for COVID-19.

County Administrative Office (Non-Departmental)

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$77,137,814	$68,117,845	$61,634,108
Revenues	259,575,982	272,766,383	271,850,240
GFC (Exp. - Rev.)	-182,438,168	-204,648,538	-210,216,132
GFC Final Budget versus Actual:		**Surplus**	27,777,965
Released from Restricted Fund Balance			485,334
Adjusted Financial Result:		**Surplus**	28,263,299

- CAO non-departmental general fund units are countywide, non-operational functions including: the appropriation for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service, memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management program, and the County's non-program revenue.
- CAO non-departmental units ended the year with a budget surplus of $28.3 million. Significant factors include:
    - Cannabis tax revenue was $11.4 million higher than budget. Investment income was $3.3 million greater than budget, and other-non-program revenue was $3.0 million greater than budget.
    - The annual appropriation for contingencies ended the year with an unused balance of $2.8 million; and
    - $2.3 million lower-than-planned transfers to other funds primarily due to reduced debt service.
    - A release of $485,334 in restricted fund balance to finance a portion of the $762,439 transferred to the Emergency Communications Special Revenue Fund.

County Counsel

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$1,818,663	$992,861	$1,050,808
Revenues	340,000	504,484	541,862
GFC (Exp. - Rev.)	1,478,663	488,377	508,947
GFC Final Budget versus Actual:		Surplus	969,716

- County Counsel ended the fiscal year with a surplus of $969,716 primarily due to unexpected salary savings from vacancies, additional revenue from a legal settlement, and unused appropriations resulting from the Lake San Antonio remediation project.

District Attorney

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$28,382,533	$27,427,613	$27,905,768
Revenues	15,464,548	15,068,587	14,069,785
GFC (Exp. - Rev.)	12,917,985	12,359,026	13,835,983
GFC Final Budget versus Actual:		Deficit	-917,998
Released from Restricted Fund Balance			56,246
Adjusted Financial Result:		Deficit	-861,752

- The Office of the District Attorney (DA) ended the year $476,765 below budgeted expenditures, primarily due to salary savings.
- The most significant financial event for the DA was COVID-19's negative impact on revenues, primarily $983,340 in funds not received from several sources due to the impact of the virus on our economy and generation of tax revenues both at the State and local level.
- Additional State revenues of $240,612 were received in September, after the accounting cut-off date, reflecting delayed processing times due to the pandemic, resulting in a GFC deficit of $917,998.
- A net release of $56,246 due mainly to restricted excess real estate filing fees of $24,518 and a release of $83,249 for consumer investigations resulted in a final adjusted deficit of $861,752.

Elections

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$5,551,752	$5,410,127	$5,203,287
Revenues	1,341,500	1,195,695	1,053,587
GFC (Exp. - Rev.)	4,210,252	4,214,432	4,149,700
GFC Final Budget versus Actual:		Surplus	60,552

- Expenditures for the Elections Department were $348,465 lower than budget, while revenues were $287,913 lower than budgeted, resulting in general fund contribution surplus of $60,552.
- The budget forecast is based on all potential contests going to ballot. However, in the March Presidential Primary election, not all districts had measures or candidates on the ballot, which resulted in expenditure savings in ballot printing services.

Health

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$102,855,352	$87,528,129	$85,986,474
Revenues	88,810,357	76,934,061	74,930,575
GFC (Exp. - Rev.)	14,044,995	10,594,068	11,055,899
GFC Final Budget versus Actual:		Surplus	2,989,096
Unused Budgeted Restricted Funds Adjustment			689,292
Transferred to Restricted Fund Balance			4,673,511
Adjusted Final Result:		Deficit	-2,373,707

- The Health Department's total expenditures were $16.8 million below budget due primarily to a vacancy rate of 19.6% generating $13.5 million in savings. Most of the vacancies were in the Primary Care Clinics ($7.2 million) due to separations and recruiting challenges. Decreases in other expenditures impacted by vacancies were offset by an increase in liability payments made to the State.
- Expenses included liability payments of $4.1 million to the State for FY 2014-15 ($319,000), FY 2017-18 ($3.5 million) and FY 2015-16 (274,000). As of March 2015, some Central California Alliance for Health members were moved from fee-for-service to capitation with the State performing yearly reconciliations for which any resulting overpayments must be returned. Funds were released from restricted funds set aside for this purpose the previous fiscal years.
- Year-end revenue was $13.8 million lower than budgeted. Excluding restricted revenue, revenues were lower than the budget due to vacancies of revenue generating positions in Primary Care Clinics as well as positions diverted to COVID-19. This includes $3.2 million that was not received during the accrual period mainly from State Aid and Federal Aid.
- Transfers to restricted funds totaling $4.7 million as follows: $3.1 million for future liability to the State, $1.6 million of Environmental Health restricted funds, and $10,087 of Public Health restricted funds. A $689,292 adjustment is being made for unused budgeted restricted funds and an error in the amount of restricted funds transferred. The Health Department ended with a GFC deficit of $2,373,707.

Human Resources

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	-$703,079	-$973,879	-$919,550
Revenues	0	0	0
GFC (Exp. - Rev.)	-703,079	-973,879	-919,550
GFC Final Budget versus Actual:		Surplus	216,471

- The Human Resources Department ended the year with a surplus of $216,471 resulting from various positions being vacant throughout the year.

Information Technology

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$6,696,555	$5,870,061	$4,827,175
Revenues	704,492	554,492	1,310,338
GFC (Exp. - Rev.)	5,992,063	5,315,569	3,516,837
GFC Final Budget versus Actual:		Surplus	2,475,226
Transferred to Restricted Fund Balance			315,740
Adjusted Final Result:		Surplus	2,159,486

- The Information Technology Department (ITD) expenditures of $4.8 million against the budget of $6.7 million, represent an overall savings of $1.9 million, including $1.2 million due to vacancies and $0.7 million in higher internal County customer reimbursements largely for capital improvements.
- The expenditures are derived from $27.3 million of operational expenditures less internal County customer reimbursements of $7.2 million, and an offsetting COWCAP credit of $15.3 million.
- Actual revenue totaled $1.3 million, $605,846 above budget, due to additional franchise fee income and recognition of restricted Public, Educational, and Government (PEG) fees, of which $315,740 were transferred into restricted fund balance, resulting in an actual to budgeted GFC adjusted surplus of $2.2 million.

Probation

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$52,245,695	$52,235,841	$50,390,906
Revenues	28,057,399	27,948,399	26,049,463
GFC (Exp. - Rev.)	24,188,296	24,287,442	24,341,443
GFC Final Budget versus Actual:		Deficit	-153,147

- The Probation Department's expenditures were $1.9 million below budget, mainly due to $1.5 million of expenditures for personnel and services that were budgeted but not realized for grant, federal and State programs and $285,977 in lower than anticipated expenses for institutional supplies and services.
- Actual revenues were $2.0 million below budget, primarily due to $1.5 million of lower reimbursable costs for Public Safety Realignment, Title IV-E and reentry programs. Lower revenue was also associated with reduced service fee collections.
- A State grant for the DUI Treatment Court program was terminated. The reduced revenue related to the State DUI program was offset by a one-time cannabis assignment of $109,000 that did not post to the system
- The Department should have ended the year with a deficit of $803, but due to shared revenues not posting to the year as intended, the deficit realized was $153,147.

Public Defender

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$15,858,400	$15,763,588	$14,977,196
Revenues	1,379,829	1,321,230	1,051,480
GFC (Exp. - Rev.)	14,478,571	14,442,358	13,925,716
GFC Final Budget versus Actual:		Surplus	552,855

- The Public Defender's Department actual expenditures were $881,204 below budget as a result of lower than anticipated trial related expenses and salary savings from vacancies. COVID-19 pandemic restrictions and shutdowns caused a combination of delayed court proceedings and case backlog.
- Year-end actual revenues were $328,349 below budget, mainly due to lower than expected reimbursable expenditures related to staffing and services for budgeted grant and State programs.
- The Public Defender's Department recognized a GFC surplus of $552,855.

Resource Management Agency

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$30,395,133	$30,428,113	$26,986,964
Revenues	12,901,233	13,452,245	11,270,956
GFC (Exp. - Rev.)	17,493,900	16,975,868	15,716,008
GFC Final Budget versus Actual:		**Surplus**	1,777,892
Transferred to Restricted Fund Balance:			366,665
Adjustments			635,514
Adjusted Final Result:		**Surplus**	775,713

- The Resource Management Agency's expenditures were $3.4 million below budget due to vacancies and projects delayed due to COVID-19. Vacancies resulted in salary and benefit savings of $1.8 million and services and supplies were below budget by $1.6 million.
- Actual revenues fell short of budget by $1.6 million primarily due to the COVID-19 outbreak. Development slowed significantly after COVID, resulting in reduced Building Construction and Planning & Engineering Service Permits and Fees of $1.2 million. Park fees were under budget by approximately $458,000 due to events and activities cancellations during peak season.
- The Department ended with a GFC surplus of $1.8 million of which $366,665 was transferred to restricted fund balance and $635,514 to assigned fund balance. The restricted fund balance includes unspent funds from the Fort Ord Reuse Authority (FORA) for dissolution activities ($294,038) and earned revenue from deposits ($72,627). The assigned fund balance includes $453,252 for delayed projects and $182,262 for the Salinas Valley Groundwater Basin Investigation.
- The final adjusted net surplus was $775,713.

Sheriff-Coroner

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$115,544,654	$115,473,685	$114,087,738
Revenues	40,343,522	39,555,622	38,904,876
GFC (Exp. - Rev.)	75,201,132	75,918,063	75,182,862
GFC Final Budget versus Actual:		**Surplus**	18,270
Transferred to Restricted Fund Balance			39,093
Adjusted Final Result:		**Deficit**	-20,823

- The Sheriff's Office expenditures were $1,456,916 below budget due to the delayed start of the Jail Based Competency Program ($980,463) and due to jail equipment received after the close of the fiscal year ($384,505).
- Revenues were $1,438,646 short of budget, also due to the delayed start of the Jail Based Competency Program ($980,463), reduction in Prop 172 funding ($167,217) and Courts revenues ($221,405), due to pandemic closures.
- The Sheriff's Office ended the year with a general fund contribution surplus of $18,270 before transferring $39,093 of net vehicle fees to restricted fund balance for a final adjusted deficit of $20,823.

Social Services

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$215,584,159	$202,783,856	$197,544,627
Revenues	199,488,834	187,543,226	177,411,987
GFC (Exp. - Rev.)	16,095,325	15,240,630	20,132,640
GFC Final Budget versus Actual:		**Deficit**	-4,037,315
Release of Restricted Revenue Funds:			449,072
Adjusted Financial Result:		**Deficit**	-3,588,243

- The Department of Social Services' (DSS) year-end expenditures totaled $197.5 million, $18.1 million below budget. A GFC neutral technical budget error relating to IHSS wages account for $7.2 million worth of these reduced expenses. Other reduced expenditures are attributed to staff vacancies due to hiring challenges, contracted services, and $962,675 in savings related to housing homeless individuals vulnerable to the COVID-19 pandemic in which expenses were incurred in CAO's Operations of Emergency Services division rather than DSS.
- Year-end revenues were $177.4 million, which were $22.1 million below budget, correlating with reduced reimbursable expenditures, insufficient administrative advances, delayed reimbursement for health-related programs, and Whole Person Care.
- The Department's budgeted GFC of $16.0 million was exceeded by $4.0 million. A release of $449,072 of restricted revenue fund balance reduced this deficit to $3.6 million. Had DSS expended the $962,675 in funds appropriated for emergency COVID-19 response, the deficit would have been higher. In addition, approximately $200,000 of discretionary funding was directed towards an increased county contribution to the State In-Home Support Services program.
- DSS is expecting $10.7 million in revenue for expenses that occurred in FY 19-20 that did not come in by the revenue deadline. Had these revenues be received in time, the Department would have realized an approximate $7.2 million surplus. As of mid-October, $4.2 million of this revenue has been received.

Treasurer-Tax Collector

	Final Budget	Year-End Estimate	2019-20 Actual
Expenditures	$7,002,857	$6,720,238	$6,140,466
Revenues	6,766,432	6,411,172	5,498,195
GFC (Exp. - Rev.)	236,425	309,066	642,271
GFC Final Budget versus Actual:		**Deficit**	-405,846
Transferred to Restricted Fund Balance			866
Adjusted Financial Result:		**Deficit**	-406,712

- The office of the Treasurer-Tax Collector's (TTC) year-end expenditures total $6.1 million, underspending appropriations by $862,391, due to vacancies, delayed recruitments, and departmental efforts to conserve expenditures.
- Year-end revenue of $5.5 million was $1.3 million below budget. This was due to lower levels of reimbursable expenditures, and reduced collections resulting from COVID-19 pandemic closures and other related financial impacts.
- The Office recognized a negative GFC balance of $405,846 as a result of reduced revenues, unbudgeted expenses for retiree termination benefits, and COVID-19 related expenditures.
- The Department transferred $866 to restricted fund balance resulting in an adjusted financial deficit of $406,712.

OTHER FUNDS

Road Fund (Fund 002)

	Final Budget	Year-End Estimate	2019-20 Actual
Beginning Fund Balance	$17,552,103	$17,552,103	$17,552,103
Revenue	59,369,669	55,245,692	40,997,394
Total Financing Sources	$76,921,772	$72,797,795	$58,549,497
Expenditures	54,548,338	50,914,889	33,968,606
Total Financing Uses	$54,548,338	$50,914,889	$33,968,606
Ending Fund Balance	$22,373,434	$21,882,906	$24,580,891

- The Road Fund is a special revenue fund established pursuant to State law to account for revenues that are legally restricted for County road and bridge construction and related projects.
- Road Fund expenditures totaled $34.0 million or $20.6 million below budget due to the postponement of eight construction projects: Davis Road Bridge, Las Lomas Drainage, Hartnell Road Bridge, County Roadway Safety Striping, Monterey Bay Sanctuary Scenic Trial, River Road Overlay Chualar to Limekiln, Bradley Road Bridge, and River Road Overlay.
- Road Fund revenues were $41 million which was $18.3 million lower than budget due to reduced State and federal Aid revenues corresponding to the delayed construction projects.
- The Road Fund's fund balance increased by $7.1 million from $17.6 million to $24.6 million largely attributable to the Road Fund's two new revenue streams, Measure X and SB 1, and delayed projects.

Monterey County Free Library (Fund 003)

	Final Budget	Year-End Estimate	2019-20 Actual
Beginning Fund Balance	$1,874,071	$1,874,071	$1,874,071
Revenue	10,973,691	10,366,531	11,002,106
Total Financing Sources	$12,847,762	$12,240,602	$12,876,177
Expenditures	11,238,391	10,503,398	9,395,691
Total Financing Uses	$11,238,391	$10,503,398	$9,395,691
Ending Fund Balance	$1,609,371	$1,737,204	$3,480,487

- Actual expenditures at year-end were $9.4 million or $1.8 million below budget as a result of vacancies and delays to repairs and projects, including purchasing a bookmobile, completing Bradley Library, reopening Parkfield Library, and replacing carpet in Greenfield. This allowed the Library to offset increased operational expenditures under COVID-19, including deep cleaning, mail, curbside and online services.

- Year-end revenue was $28,415 above budget due to grants and contributions received from Friends of the Libraries and the Foundation for Monterey County Free Libraries (MCFL).
- MCFL ended the year with a net gain of $1.6 million resulting in ending fund balance of $3.5 million.

Behavioral Health Fund (Fund 023)

	Final Budget	Year-End Estimate	2019-20 Actual
Beginning Fund Balance	$42,410,810	$42,410,810	$42,410,810
Revenue	144,620,465	133,038,162	130,941,703
Total Financing Sources	$187,031,275	$175,448,972	$173,352,513
Expenditures	147,562,352	135,966,242	133,006,890
Total Financing Uses	$147,562,352	$135,966,242	$133,006,890
Ending Fund Balance	$39,468,923	$39,482,730	$40,345,623

- Behavioral Health Fund expenditures were $14.5 million below budget primarily due to lower-than-anticipated expenses in capital projects and operating transfers-out. Capital improvements costs were lower due to delays in the HVAC system upgrade project at the Marina clinic. Not all aspects of the Whole Person Care program were implemented resulting in lower transfers to the program.
- Actual revenues were lower-than-budget by $13.7 million primarily due to lower expenses in revenue generating programs within Whole Person Care and delays in payments from the State for the Mental Health Medi-Cal Program. Revenue in the amount of $13.4 million earned in FY 2019-20 was not received during the accrual period.
- A State grant for DUI Treatment Court program was terminated. The reduced revenue related to the State DUI program was offset by a one-time cannabis assignment of $51,000 that did not post to the system.
- The fund balance was reduced by $2.0 million, resulting in an ending balance of $40.3 million of which $31.9 million is unassigned and $8.4 is assigned for potential future Medi-Cal program settlement costs.

Emergency Communications (Fund 028)

	Final Budget	Year-End Estimate	2019-20 Actual
Beginning Fund Balance	$0	$0	$0
Revenue	12,631,743	12,690,386	12,813,873
Total Financing Sources	$12,631,743	$12,690,386	$12,813,873
Expenditures	12,260,053	12,342,047	11,779,363
Total Financing Uses	$12,260,053	$12,342,047	$11,779,363
Ending Fund Balance	$371,690	$348,339	$1,034,510

- The Emergency Communications Department operates in a Special Revenue Fund to provide Dispatch and Call-Taking services to 18 Cities and Fire Districts as well as the County Sheriff and Probation Department.
- Year-end expenditures for the Department were $11,779,363 or $480,690 below budget. Of each dollar spent in the Department, approximately 32 cents are paid by General Fund Contribution (GFC). The Department incurred $142,609 of unbudgeted unrecoverable expenses that had to be paid entirely with GFC. To fund this expense, the Department had to reduce expenditures by approximately $450,000. This reduction was realized through reduced capital equipment purchases, hardware purchases, IT usage, and professional services. The FY 2020-21 budget has addressed these unrecoverable expenditures.

- Year-end revenues for the Department were $12,813,873 or $182,130 over budget due to an unbudgeted transfer from the General Fund (001) to correct prior year errors.
- The Department billed for a supplemental reserve contribution from all user agencies and the County. The Ending Fund Balance of $1,034,510, representing reserve funds for future equipment and replacement needs, is comprised of $762,439 from prior year reserves and $272,071 from FY 2019-20 reserve contribution.
- FY 2019-20 was the Emergency Communications Department's first year operating as a special revenue fund and billed costs to user agencies in arrears, as has always been the practice per the 9-1-1 Services Agreement. This delayed billing resulted in negative cash balance during the fiscal year causing the Department to incur interest charges of approximately $36,000. In early FY 2020-21 the Department executed a new 9-1-1 Services Agreement which allows for quarterly billing correcting this issue.

Natividad (Fund 451)

	Final Budget	Year-End Estimate	2019-20 Actual
Beginning Fund Balance	$124,712,392	$124,712,392	$124,712,392
Revenue	356,673,893	340,733,393	334,863,725
Total Financing Sources	$481,386,285	$465,445,785	$459,575,117
Expenditures	331,301,564	310,425,930	339,791,614
Total Financing Uses	$331,301,564	$310,425,930	$339,791,614
Ending Fund Balance	$150,084,721	$155,019,855	$119,784,503

- In FY 2019-20, Natividad's enterprise fund operations were slightly unfavorable, decreasing the fund's balance. Revenue were on pace to beat budget with increased patient volumes and a favorable payer mix for services rendered through February 2020, but volumes were significantly reduced by the pandemic from March to June. Actual revenues from operations were $334.9 million, under budget by $21.8 million, or 6.5%, due to a decrease in the volume of patient services due to social distancing and the impact of the pandemic.
- Actual expenditures from operations were $339.8 million, an unfavorable variance of $8.5 million, or 2.5%. The main drivers of increased expenses were in staffing, purchased services, supplies resulting from increased patient care related to pandemic and increasing wages and benefit costs.
- The hospital's fund balance decreased by $4.9 million.

Parks - Lakes Resorts (Fund 452)

	Final Budget	Year-End Estimate	2019-20 Actual
Beginning Fund Balance	-$2,733,381	-$2,733,381	-$2,733,381
Revenue	4,921,323	4,226,157	5,643,172
Total Financing Sources	$2,187,942	$1,492,776	$2,909,791
Expenditures	4,388,514	4,202,108	3,380,070
Total Financing Uses	$4,388,514	$4,202,108	$3,380,070
Ending Fund Balance	-$2,200,572	-$2,709,332	-$470,279

- Fiscal Year 2019-20 was the first year the Parks Lake and Resort Operations Enterprise Fund operated under a new business model, with Lake San Antonio (LSA) moved to the General Fund. This allowed RMA to focus on Lake Nacimiento and manage it as a self-sustaining operation.
- Expenditures were under budget by $1.0 million, as Basecamp instituted aggressive cuts to all discretionary expenditures and reduced labor after COVID-19 limited Lake operations beginning in March 2020.
- Revenues of $5.6 million include a $2.1 million transfer from the appropriation for contingencies to cover the prior year's deficit and a $519,205 General Fund subsidy for debt payment. The Lakes operating revenue of $3.0 million, was $1.2 million below budget. Prior to COVID-19, Lake Nacimiento was performing well and on target to come in on budget. However, the Lake was closed on April 1, 2020 due to COVID and reopened on May 8, 2020 with limited operations and park entry to ensure the safety of both visitors and staff.
- The Lakes have restricted balances of $700,000 for the Zebra/Quagga Mussel Program and $263,633 in Insurance Proceeds to replace trailers damaged in the 2018 fire, a combined restricted fund total of $963,633. These funds have subsidized operating losses throughout the years and need to be replenished.
- Overall, the Parks Lake and Resort Operations fund balance decreased by $470,279. RMA states it will be requesting a General Fund subsidy of $1,433,912 to cover the costs of operating loss for FY 2019-20 of $470,279 and to replenish the Lakes restricted funds of $963,633.