



County of Monterey FY 2021-22 Baseline Budget

County Administrative Office

Board of Supervisors Budget Workshop April 6, 2021



Current Year End Estimate and Forecast





Current Year Estimate Favorable

	FY 2019-20	FY 2020-21		
	Actual	Adopted	Modified	Year-End Estimate
Financing Sources:				
Beg. Unassigned Fund Balance	\$ 2.4	\$ 0.6	\$ 0.6	\$ 0.6
Cancellation of Restricted Fund Balance	5.5	5.3	5.3	5.3
Cancellation of Assignments	12.9	40.3	48.9	49.0
Cancellation of Strategic Reserve	-	-	-	-
Revenues	647.2	669.8	679.8	663.5
Total Financing Sources	\$ 667.9	\$ 716.0	\$ 734.6	\$ 718.4
Financing Uses:				
Restricted Fund Balance	\$ 6.9	\$ -	\$ -	\$ -
Assignments	19.3	-	-	-
Strategic Reserve	0.5	-	-	-
Expenditures	640.2	716.0	734.6	718.0
<i>Adjustment - Est Salary Savings</i>	-	-	-	-
Total Financing Uses	\$ 666.9	\$ 716.0	\$ 734.6	\$ 718.0
Ending unassigned fund balance	\$ 1.0	\$ -	\$ 0.0	\$ 0.8

- Expenditures estimated to end \$16.6 million (2.2%) below budget due primarily to vacancies.
- There were 372 vacancies (about 11%) at the time the forecast was prepared.
- Revenues are projected to be \$16.3 million below budget expectations
- Net estimated result for FY 2020-21 is a positive \$0.8 million, due to CARES revenue

Forecasted Funding Gaps

(Based on Current Operations & Policy)



- Funding gaps emerge beginning next fiscal year, growing from \$40.7 million to \$45.6 million by the end of the forecast period.
- Driving the deficits is rising employee pension contributions which add \$6.1 million in general fund costs next year, \$2.3 million in FY 2022-23 and \$1 million in FY 2023-24.
- Other cost drivers include higher employee health insurance, general liability and workers' compensation program costs and increasing formula-based subsidies.

FY 2021-22

-\$40.7m

FY 2022-23

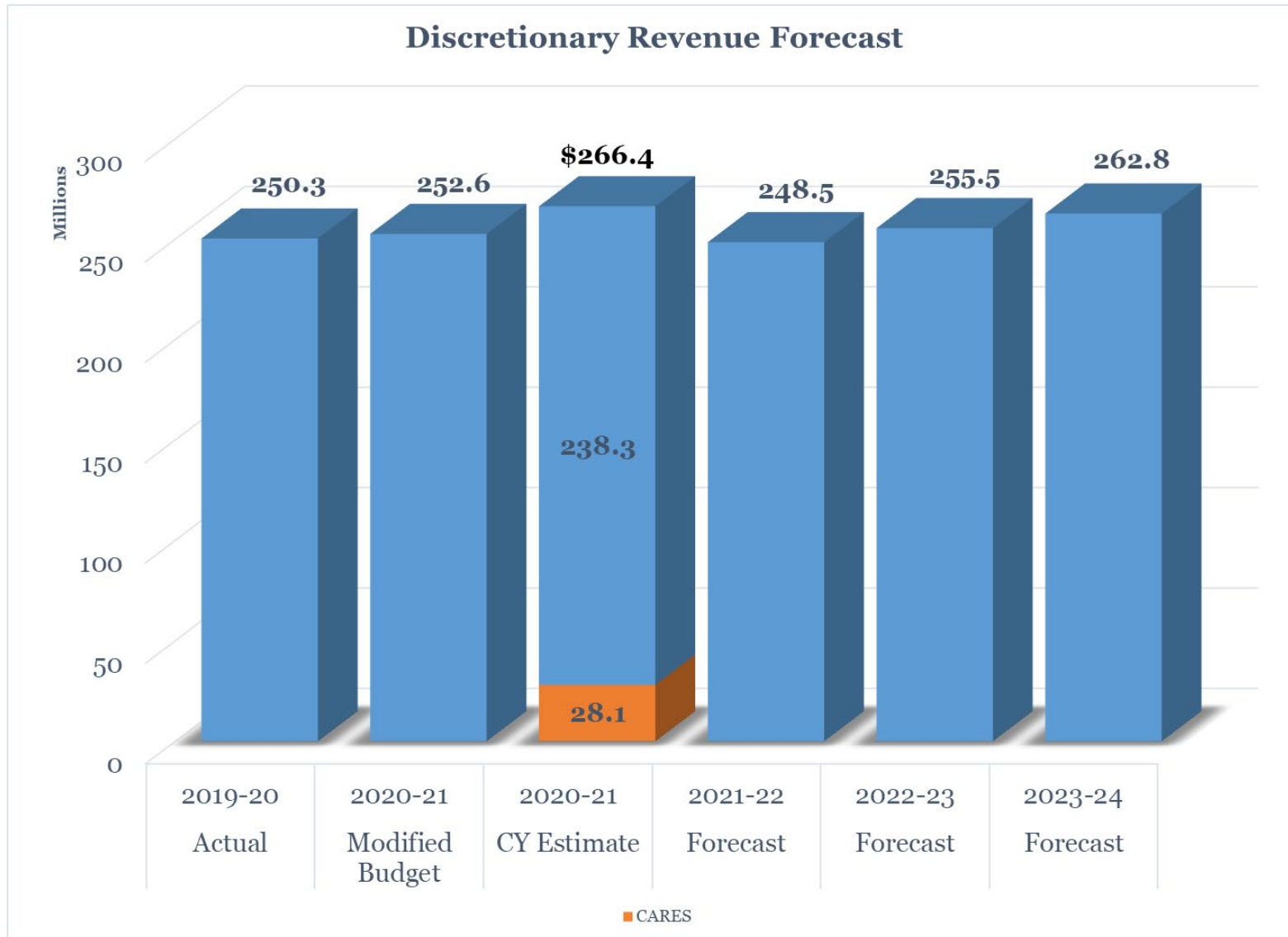
-\$43.6m

FY 2023-24

-\$45.6m



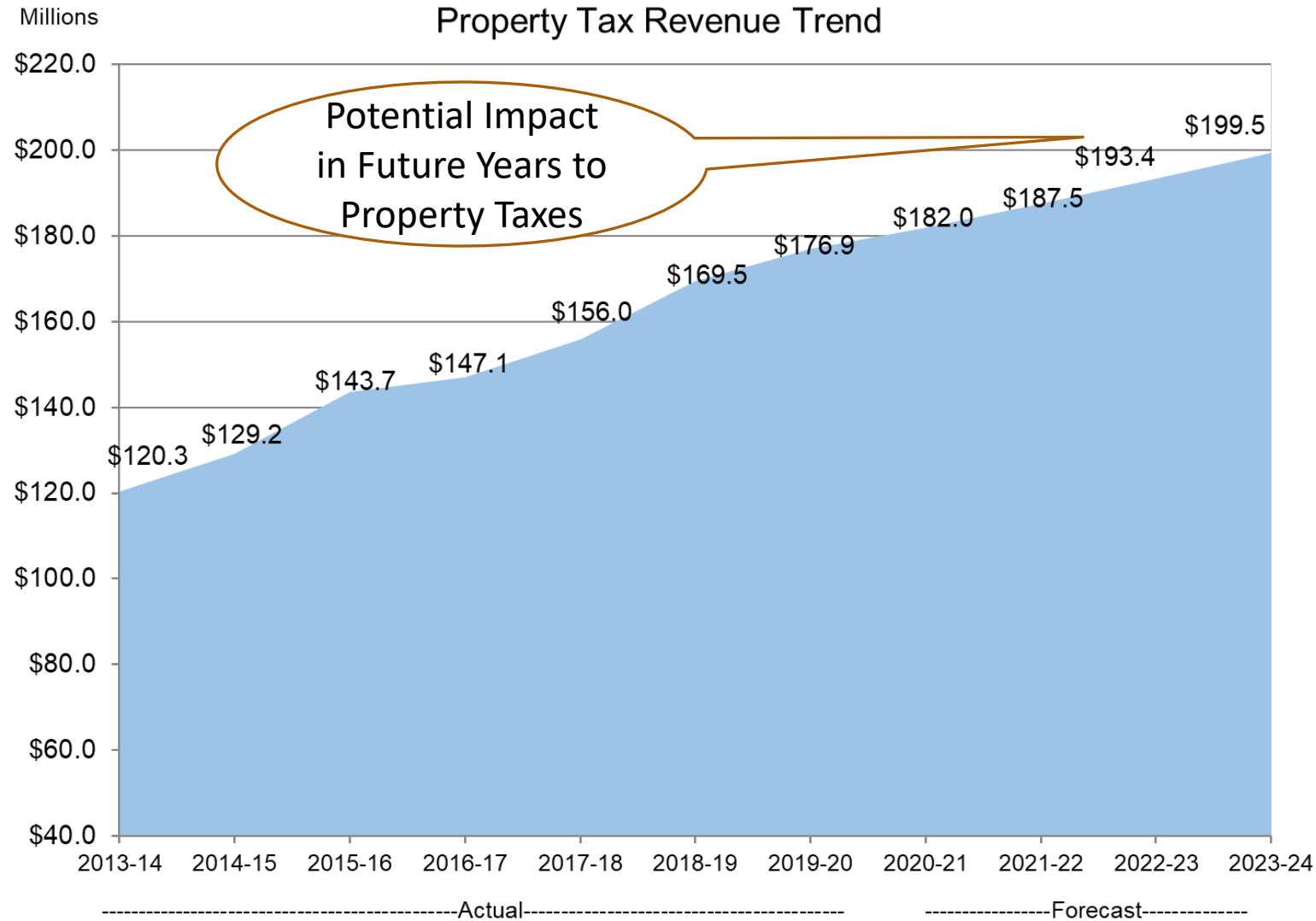
Discretionary Revenue Still Increasing



- Up \$13.8 million in current year compared to budget (one time CARES revenue and loss of other discretionary revenue).
- Discretionary revenue rate of growth is decreasing
- Discretionary revenue is forecasted to grow another \$10 million next fiscal year; \$7 million in 2022-23 and \$7.3 million in 2023-24.
- Revenue growth assumes moderating growth in last two years of forecast, and gradually receding pandemic



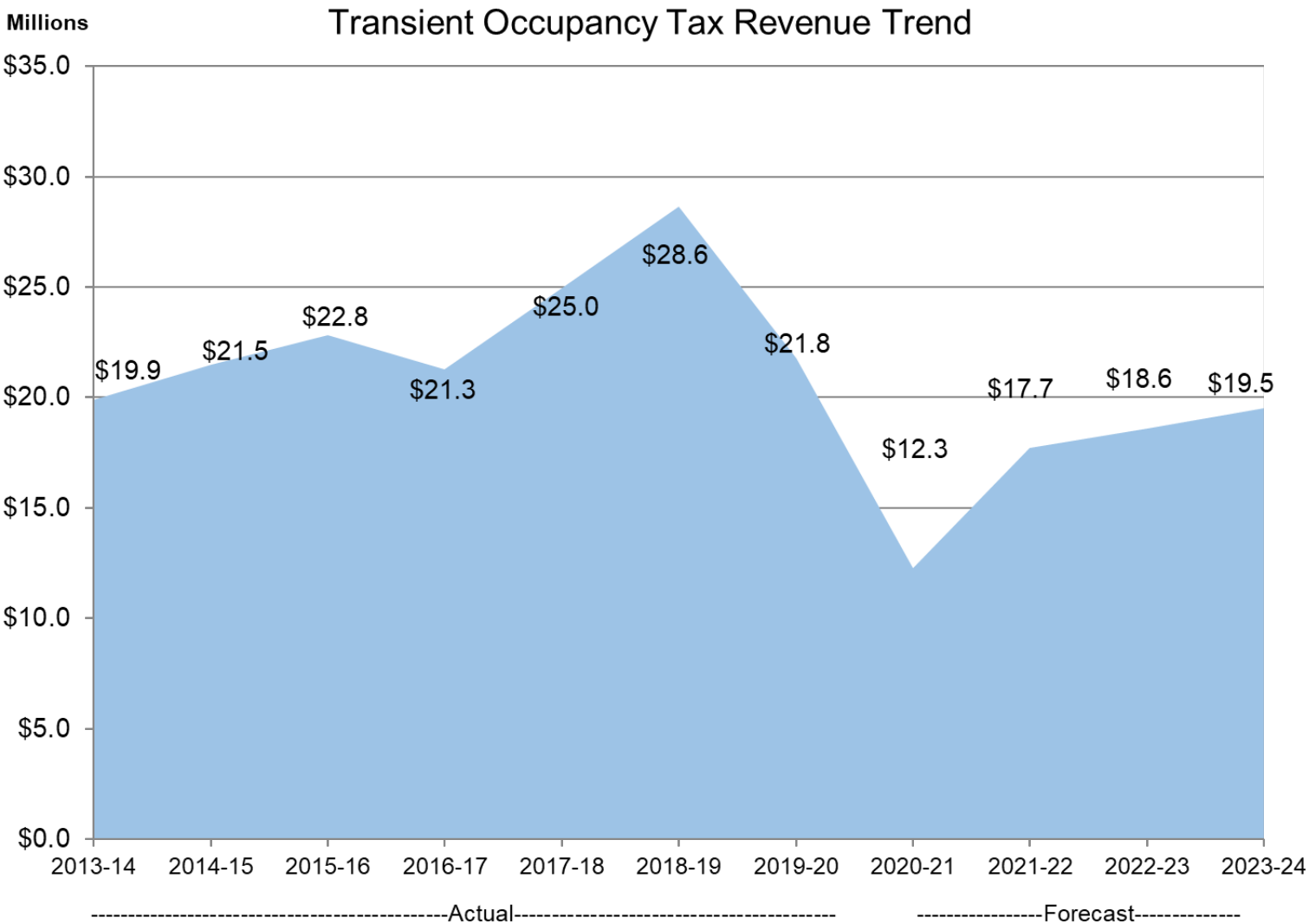
Discretionary Revenue Drivers – Property Tax



- Property Taxes have continued to grow but rate of growth is decreasing
- Need to monitor ongoing performance as reductions could impact County services

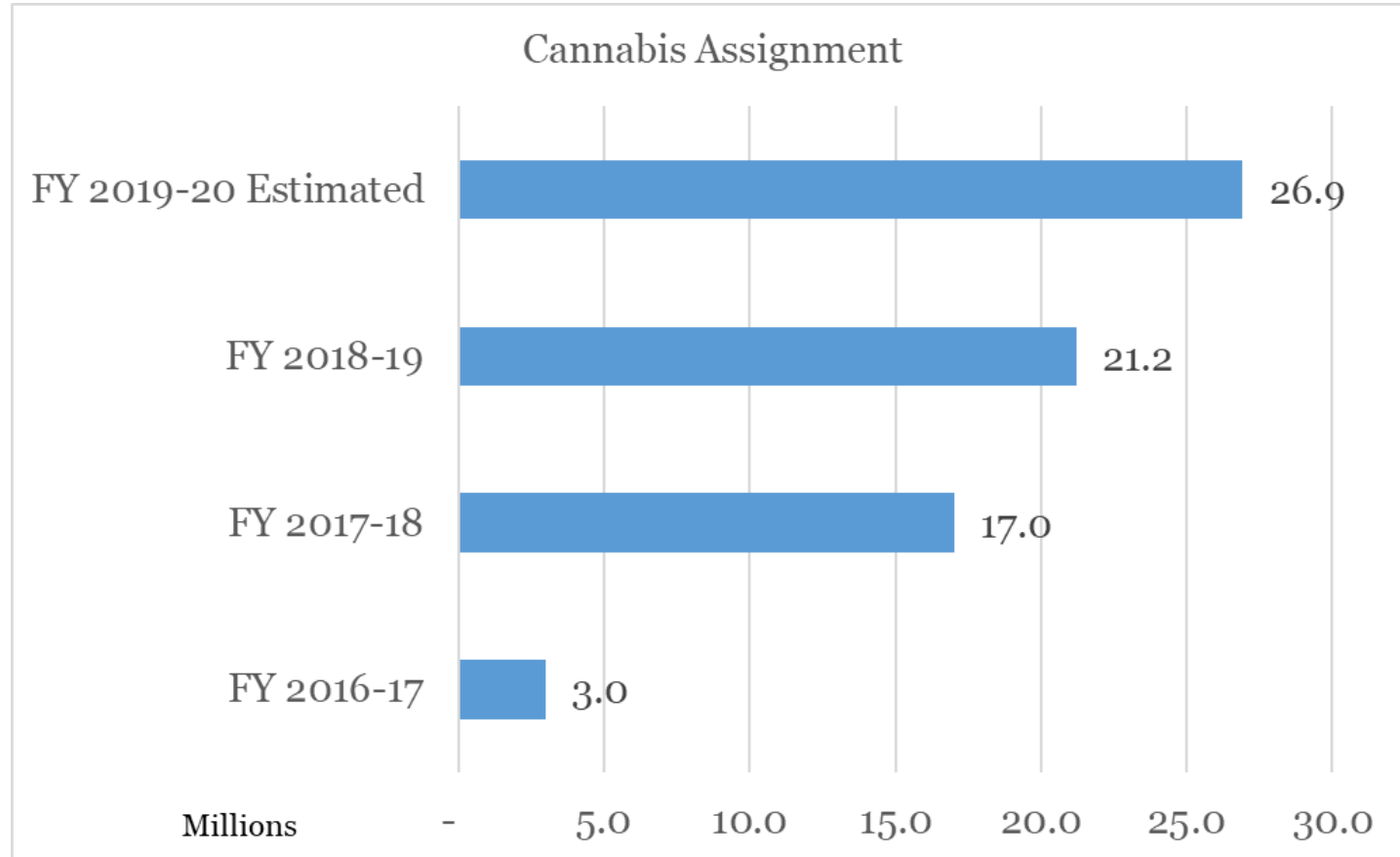


Discretionary Revenue Drivers – TOT



- Transient Occupancy Taxes (TOT) are a significant revenue source which has experienced decreases during the pandemic
- Current year estimates show a significant decrease
- Projections estimate incremental recovery over the forecast period

Cannabis Assignment

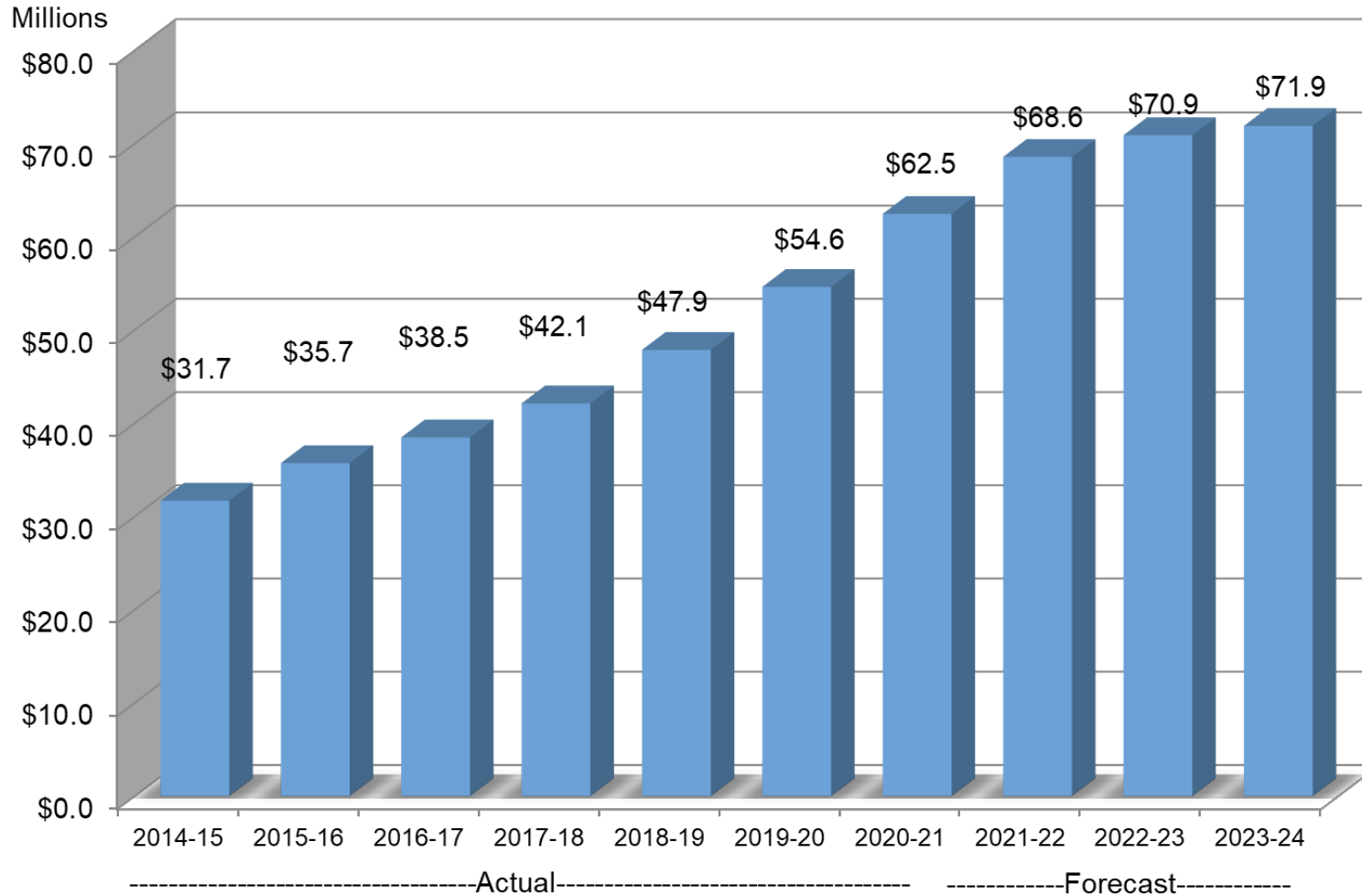


- Staff collected \$17.4 million in cannabis program revenue last fiscal year and estimates collection of over \$19 million in the current year.
- The current year estimate and forecast include \$15.4 million in cannabis revenue.
- This revenue supports 24.68 FTEs in nine departments providing program enforcement.
- FY 2020-21 Estimated cannabis assignment balance is **zero**.



Rising Pension Costs

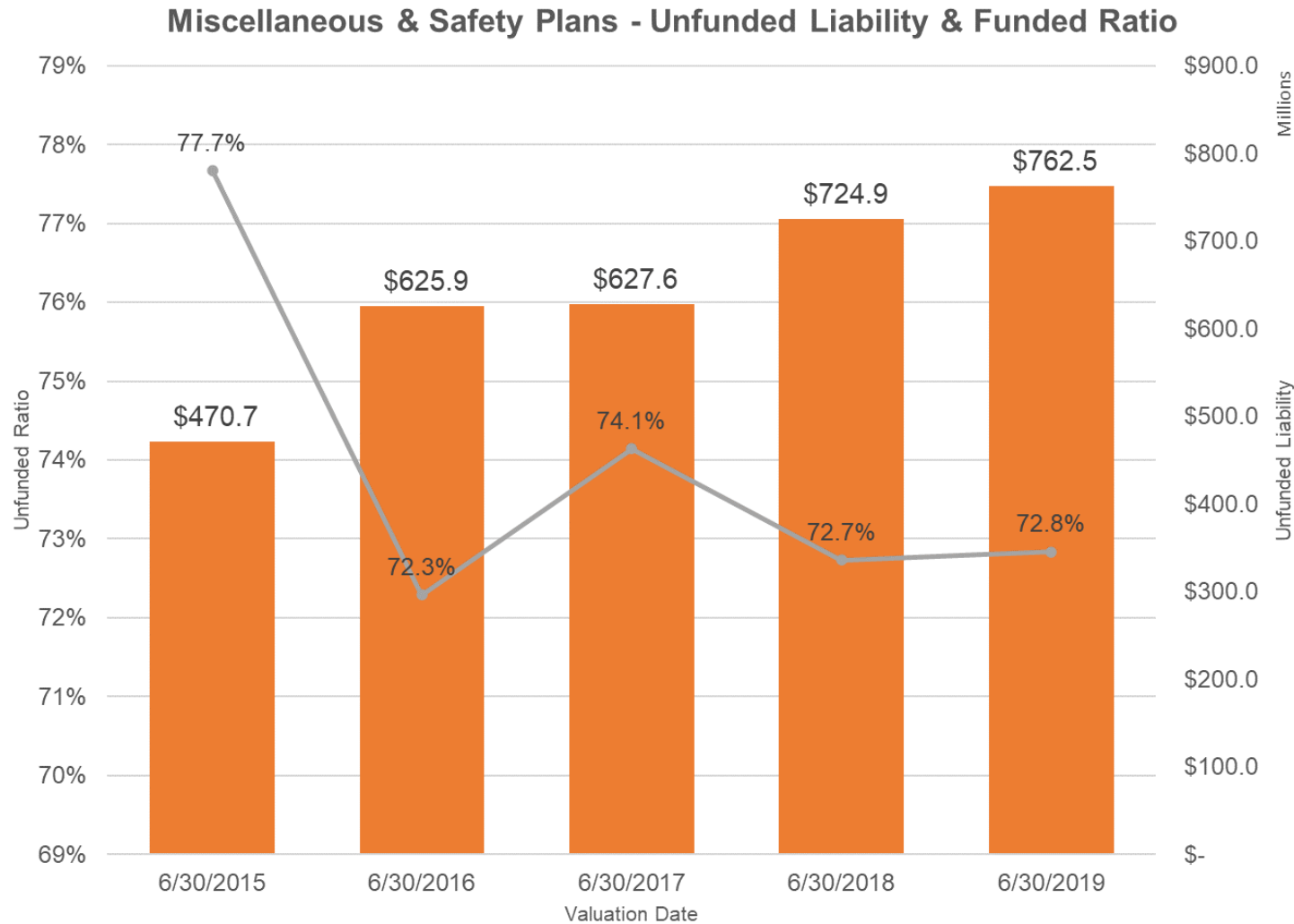
General Fund PERS Retirement Expenditures



- Driving pension costs upward across the state is CalPERS' annual rate increases to ensure assets are on hand to pay benefits in the future.
- The County's safety pension program is currently 65% funded while the non-safety plan is 75.7% funded.



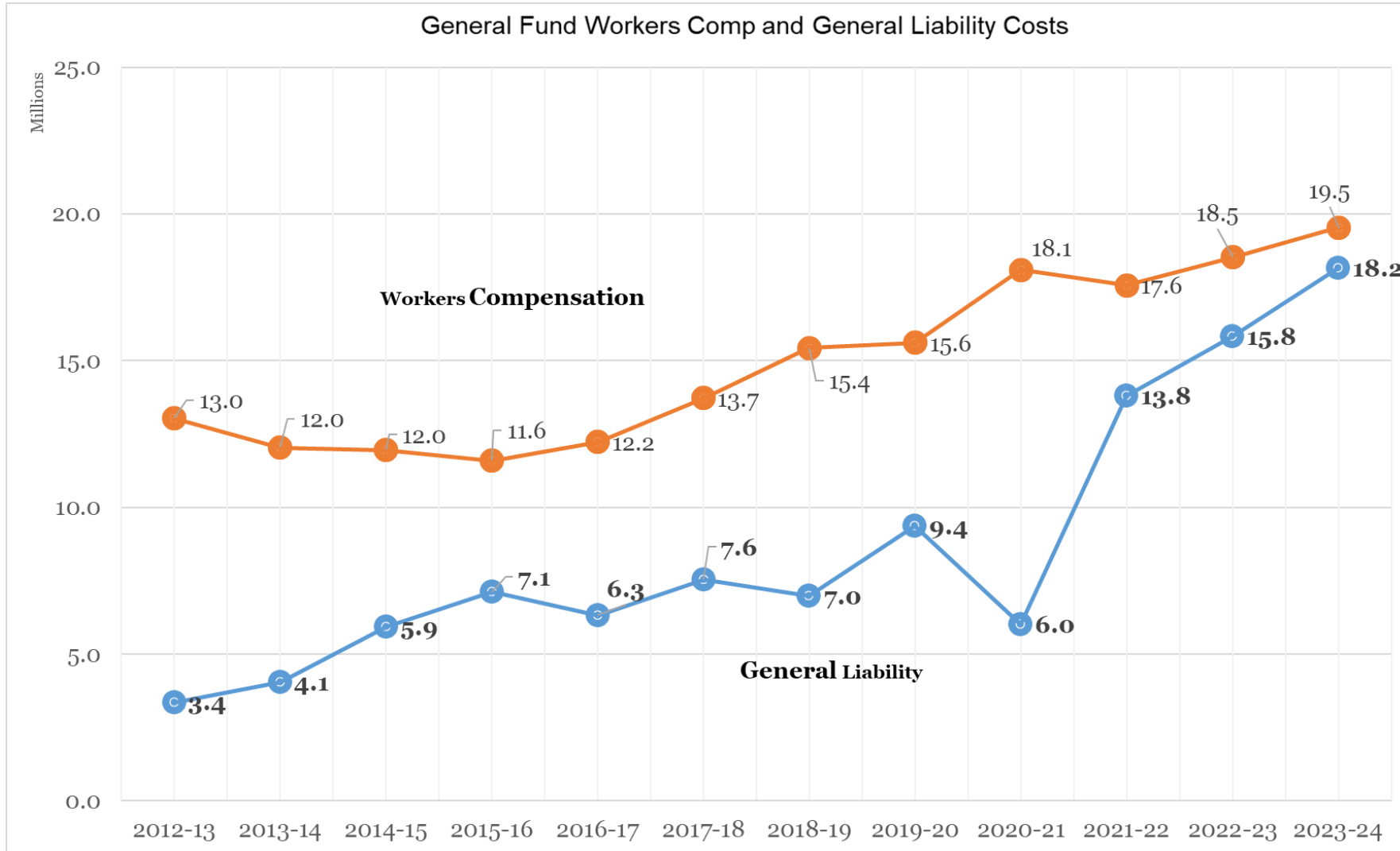
Retirement Unfunded Liability



- Unfunded Liability for the County is estimated at \$762.5 million as of the latest valuation report (2019). This is about \$47 million above the FY 2020-21 General Fund annual operating budget.
- It is important to establish a long-term strategy to address this growing liability
- The CAO's budget office will bring a plan and policy for Board consideration during budget hearings



Workers Compensation & General Liability Program

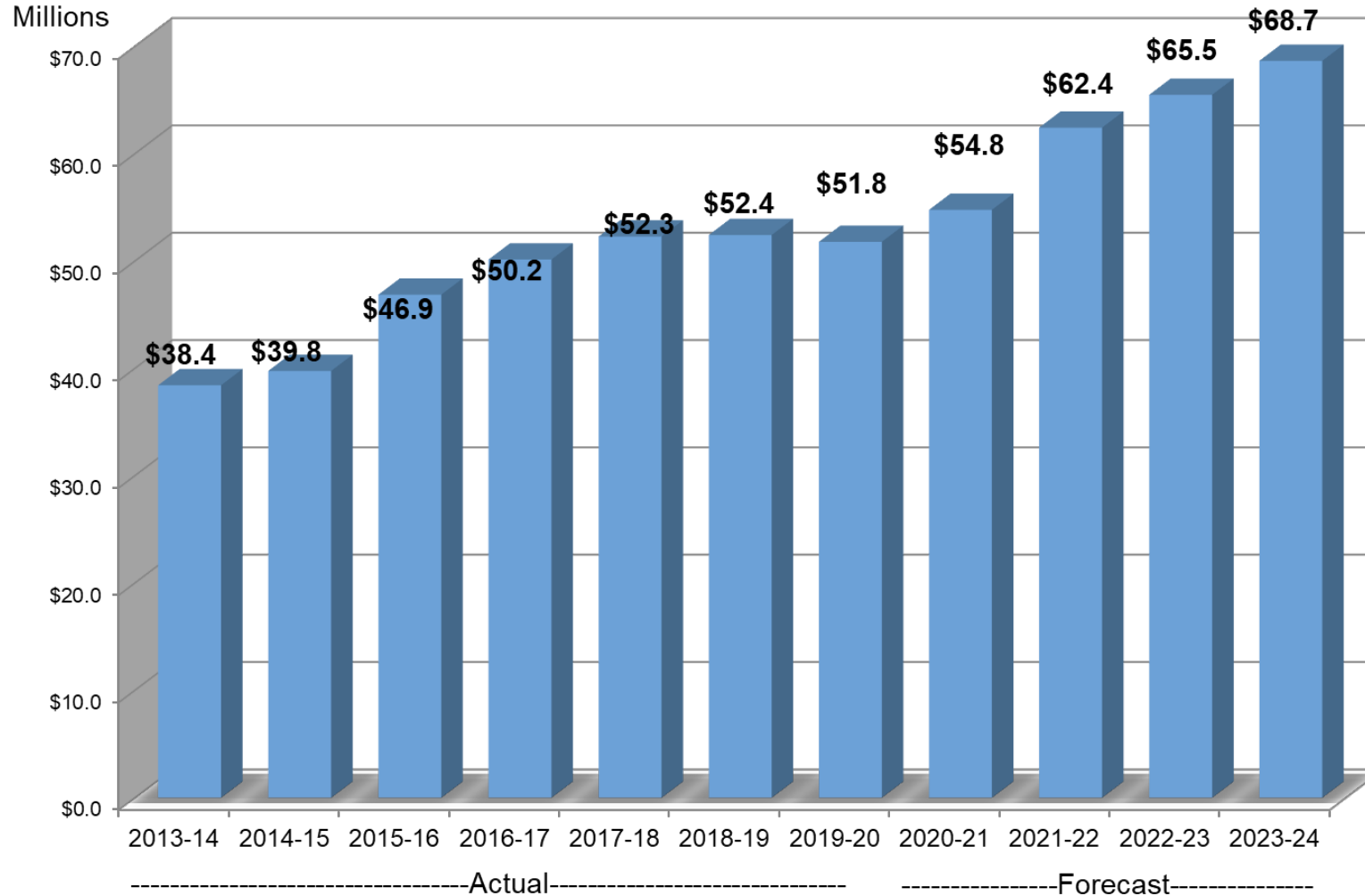


- Forecasted Workers Compensation Program expenditures increase \$3.9 million by the end of the forecast period.
- General Liability (GL) Insurance Program expenditures increase \$7.8 million next year. Growth is due to suspension of GL non recoverable charges in FY 2020-21. GL grows an additional \$4.4 million in the out years.



General Fund Health Insurance Expenditures

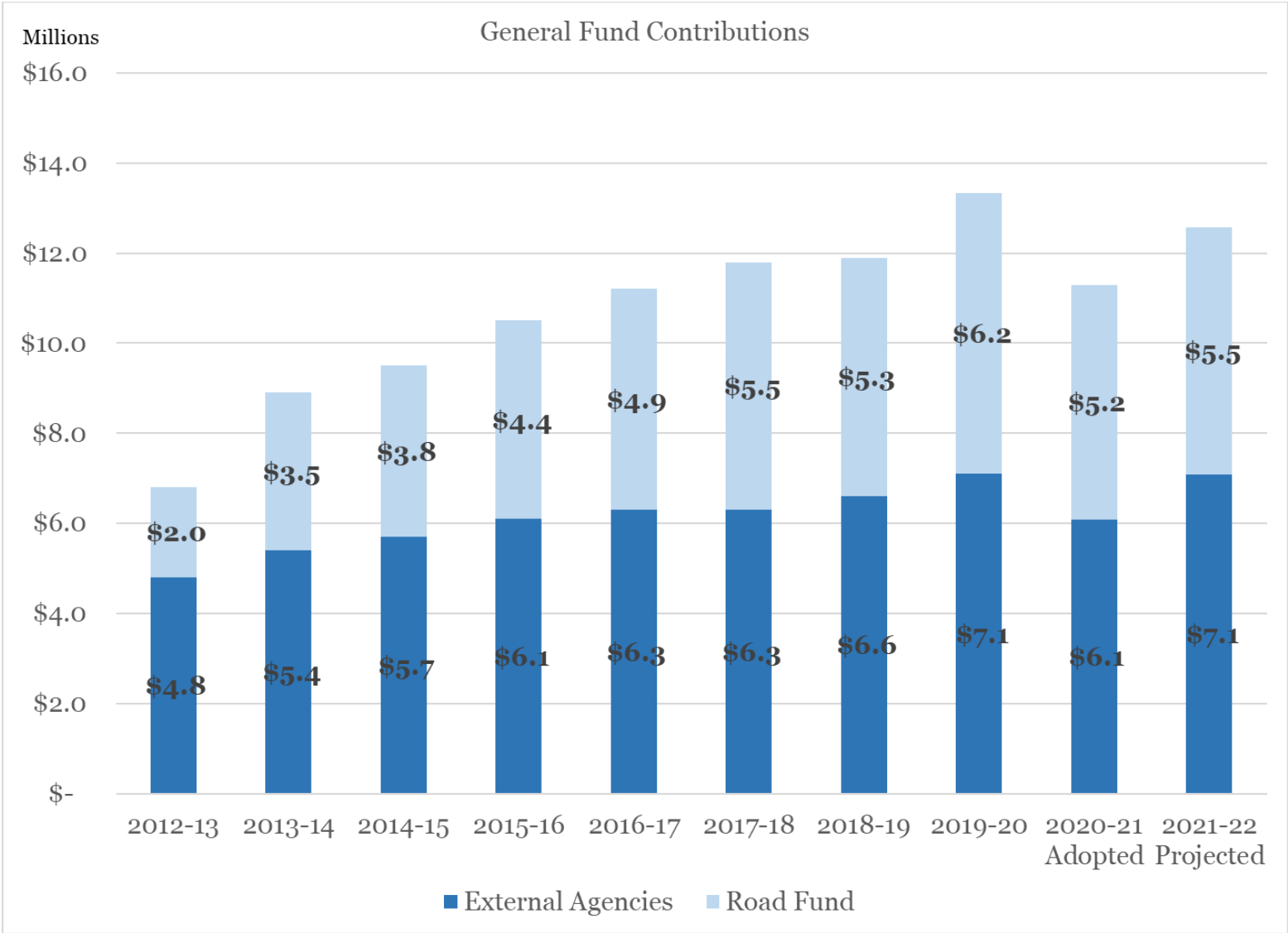
General Fund Employee Health Insurance Expenditures



- The County covers annual increases in employee health insurance and these costs are expected to nearly double by the end of the forecast period compared to the recession years.
- Underlying this growth was a 16% premium increase in 2013 and a 21% increase in 2016.
- The increase for FY 2020-21 is projected at 15% while the forecast assumes a historical average 6% annual growth starting next January.



General Fund Contribution to Outside Agencies



- The chart at left shows general fund contributions to the road fund and to the “development set-aside” agencies (MCCVB, Arts Council, Film Commission, and Business Council).
- These formula-based contributions are tied to County TOT collections.
- As TOT revenue has risen significantly, so have contributions to these entities with FY 2020-21 being the exception.

FY 2021-22 Baseline Budget



“Now let’s talk about money. Do we have any? How much would we like? Does anyone know where we can get some?”

Budget Process in Brief



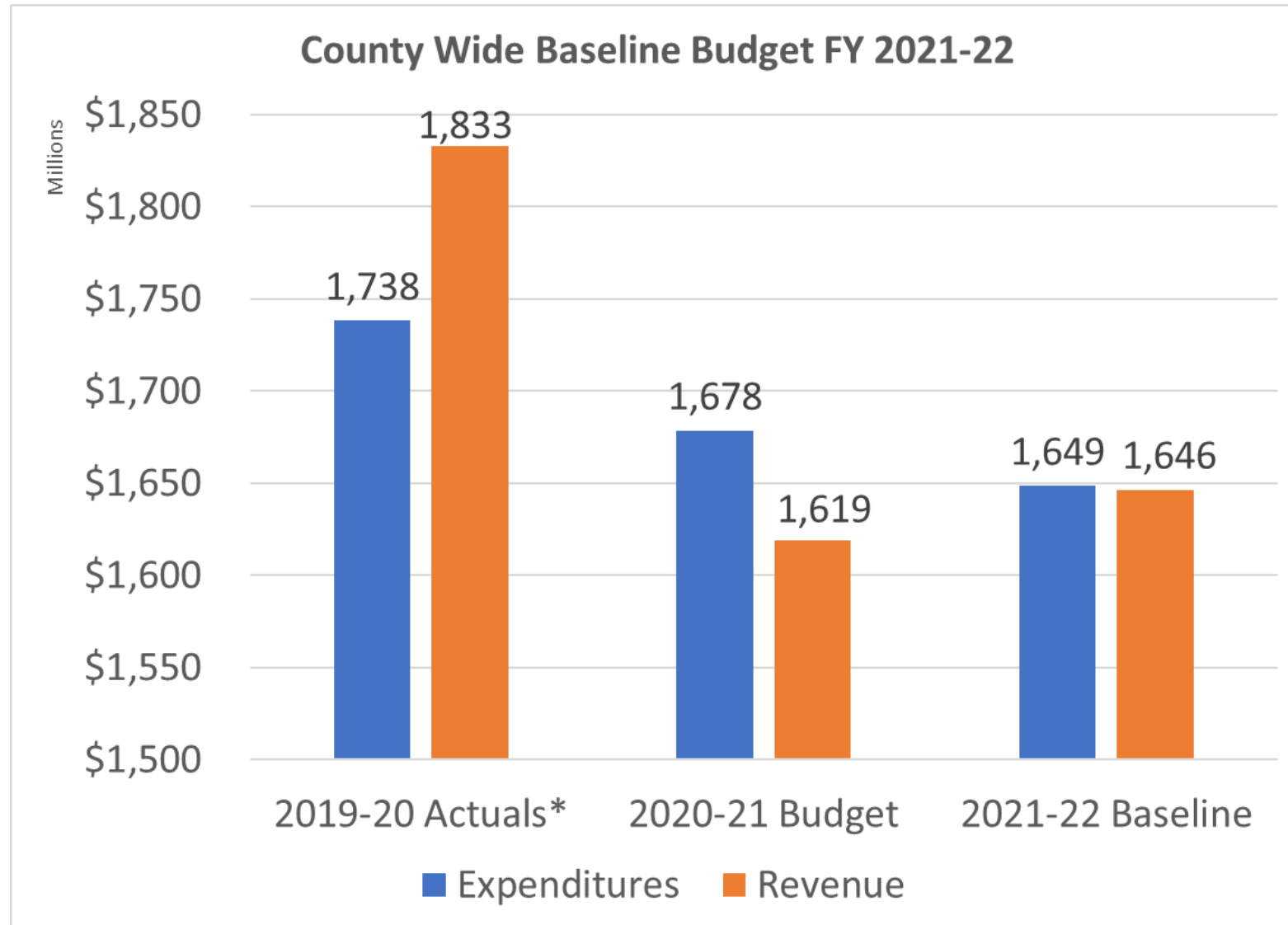
- ☐ Preliminary plans for carrying out next year's operations.
- ☐ Must be balanced.
- ☐ Assumes no augmentations.

- ☐ Prioritized proposals if additional County Contributions are Available.

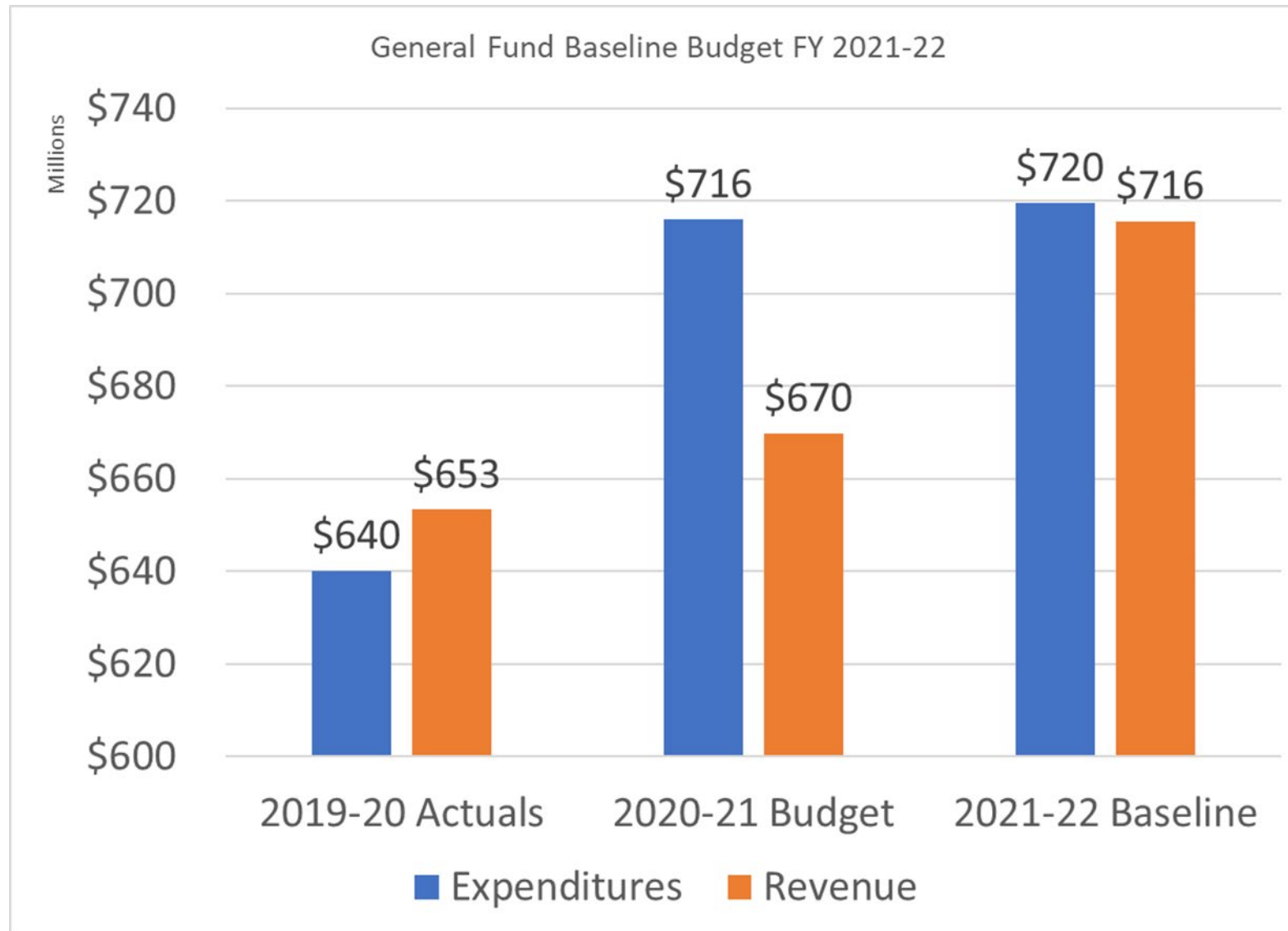
Countywide Analysis

- ☐ Countywide Needs Assessment
- ☐ DHs Workshop
- ☐ BOS Workshop
- ☐ Budget Hearings
- ☐ Budget Adoption

Overall County Baseline Budget



Overall General Fund Baseline Budget



Departmental Fund Balance use:

- Health – Clinics \$3.0 million
- Health – EH \$431,029
- Social Services \$583,209
- Sheriff \$120,000

Augmentations Summary by Fund



Fund		Sum of Requested Amount
001 - General		54,937,279
002 - Road Fund		-
021 - Workforce Development Board		-
025 - H&W Realignment		226,516
028 - Emergency Communications		-
151 - Pajaro Co Sanitation District		394,791
156 - Boronda Co Sanitation Dist		38,993
157 - San Jerardo CSD		166,500
402 - Capital Projects Fund		157,858
404 - Facility Master Plan Projects		-
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Grand Total		55,921,937

- Departments submitted **\$55.9** million in augmentation requests from the following funds
 - \$54.9 million from the General Fund
 - \$226,516 from H&W Realignment
 - \$758,142 from other funds



Augmentations Summary by Department

Department	FTE	Amount
Agricultural Commissioner	-	\$ 222,353
Auditor-Controller	2.00	\$ 352,197
Child Support Services	9.00	\$ 358,828
Civil Rights Office	-	\$ 69,000
Cooperative Extension Service	0.15	\$ 12,600
County Administrative Office	3.00	\$ 28,199,266
County Counsel	-	\$ 107,494
District Attorney	2.00	\$ 603,766
Emergency Communications	7.00	\$ -
Health	10.50	\$ 1,732,006
Housing and Community Development	8.00	\$ 1,970,661
Human Resources	6.00	\$ 835,392
Information Technology	-	\$ 1,627,635
Probation	-	\$ 497,391
Public Defender	2.00	\$ 504,002
Public Works, Facilities & Parks	37.00	\$ 6,071,442
Sheriff-Coroner	36.00	\$ 12,292,551
Social Services	5.00	\$ 386,394
Treasurer-Tax Collector	-	\$ 78,959
Grand Total	127.65	\$ 55,921,937

- Largest requests
 - CAO \$28 million of which \$24.7 is for capital projects
 - Sheriff \$12.3 million
 - Public Works, Facilities and Parks \$6.1 million
 - Housing and Community Development \$1.9 million
 - Health \$1.7 million



Infrastructure Augmentations

Infrastructure Projects	Amount
Lagunca seca - solid waste	4,451,487
Lagunca seca - water	1,505,000
PWFP - solid waste and water systems throughout parks system	18,807,439
Total	24,763,926

- Investment in the long-term needs of the County



Augmentations Summary by Category

Category	FTE	Amount
Capital Improvements	-	\$ 29,340,649
Contribution to Other Funds	-	\$ 433,784
New Mandated Program/Service w/ General Fund Funding	-	\$ 1,421,338
New Program/Service w/ General Fund Funding	-	\$ 4,506,053
Request New Position	54.50	\$ 4,295,089
Status Quo Filled Position	23.15	\$ 2,013,961
Status Quo Other	-	\$ 7,662,372
Status Quo Vacant Position	50.00	\$ 6,022,175
Use of Fund Balance from a non-general fund	-	\$ 226,516
Grand Total	127.65	\$ 55,921,937

- \$2 million for Status Quo Filled Positions
- \$6 million for Status Quo Vacant positions
- \$7.7 million for Status Quo not related to positions
- \$3.6 million for new positions
- \$29.3 million for Capital Improvements
- \$433,784 million for Contribution to Other Funds
- \$5.9 million for new programs or services



Status Quo Staffing-Related Funding Gaps

Category	Sum of	
	Requested FTE	Requested Amount
Status Quo Filled Position	23.15	2,013,961
Status Quo Vacant Position	50.00	6,022,175
Grand Total	73.15	8,036,136

- FY 2021-22 data shows a funding gap for 73.15 FTE,
 - 23.15 filled
 - 50 vacant

Status Quo Position Related Augmentations



Department	FTE	Amount
Auditor-Controller	1.00	\$ 127,200
Status Quo Vacant Position	1.00	\$ 127,200
Child Support Services	9.00	\$ 257,417
Status Quo Filled Position	9.00	\$ 257,417
Cooperative Extension Service	0.15	\$ 12,600
Status Quo Filled Position	0.15	\$ 12,600
County Administrative Office	-	\$ 257,224
Status Quo Vacant Position	-	\$ 257,224
Emergency Communications	7.00	\$ -
Status Quo Vacant Position	7.00	\$ -
Housing and Community Development	6.00	\$ 877,421
Status Quo Vacant Position	6.00	\$ 877,421
Human Resources	2.00	\$ 320,258
Status Quo Vacant Position	2.00	\$ 320,258
Public Defender	2.00	\$ 504,002
Status Quo Filled Position	2.00	\$ 504,002
Public Works, Facilities & Parks	16.00	\$ 1,605,253
Status Quo Filled Position	12.00	\$ 1,239,942
Status Quo Vacant Position	4.00	\$ 365,311
Sheriff-Coroner	30.00	\$ 4,074,761
Status Quo Vacant Position	30.00	\$ 4,074,761
Grand Total	73.15	\$ 8,036,136

Largest FTE Impacts

- Sheriff's Department, total 30 FTEs
- PWFP 16 FTEs
- CSS 9 FTEs

Criteria for Augmentations



- Mandated by current law or Board policy;
- Alignment with the County's strategic initiatives and priorities;
- Consistent with community priorities expressed in forums, surveys, and other engagement initiatives.
- Necessary to maintain current level of mission-critical services/operations;
- Substantiation of compelling public need (e.g., health, safety, economy vitality, quality of life) that cannot be met within existing resources;
- Likelihood of success based on prior performance, degree of readiness (planning/specificity), requested resources, and assumed timeline;
- Leverages sustainable financial support from non-County sources;
- Appropriate placement of responsibility (federal, state, or local);
- Degree of urgency; and/or
- Critical infrastructure investment to ensure productivity and continuity of operations.



Financing for Augmentations

- Cannabis Revenue Growth
- Other One Time Funds
- American Rescue Plan (one time funding)
 - Respond to Emergency or its negative economic impacts
 - Workers Costs responding to the pandemic
 - Government Services Provision continuation to the extent of revenue reduction due to PH emergency
 - Infrastructure (water, sewer, etc.)



Next Steps

- The Board's annual budget workshop on April 6th is an opportunity to provide a “budget preview” and receive direction before building the recommended budget to be presented at the budget hearings on June 2nd and 3rd.

Departmental Presentations