

Board of Supervisors Budget Hearings FY 2021-22

COUNTY ADMINISTRATIVE OFFICE

JUNE 2, 2021



Forecasted Funding Gaps

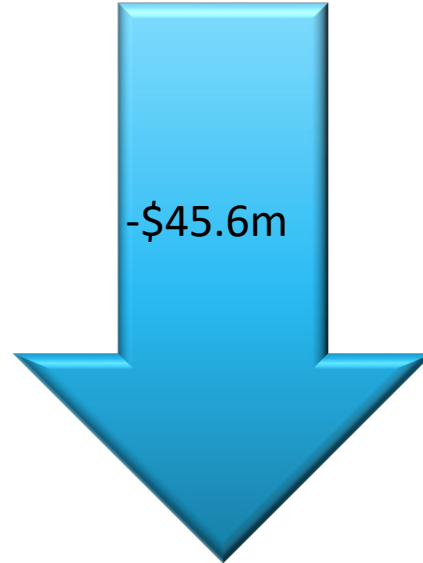
FY 2021-22



FY 2022-23



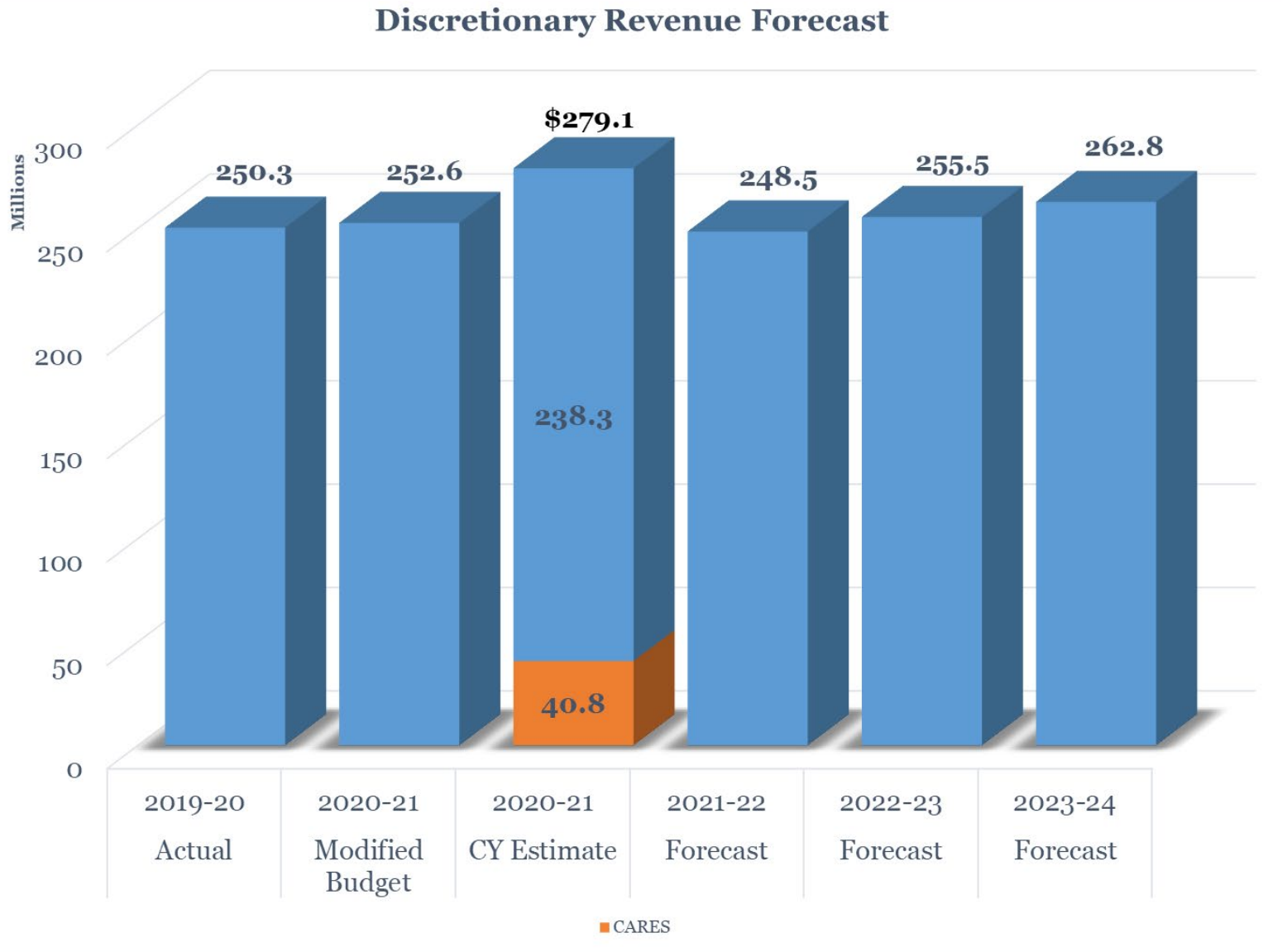
FY 2023-24

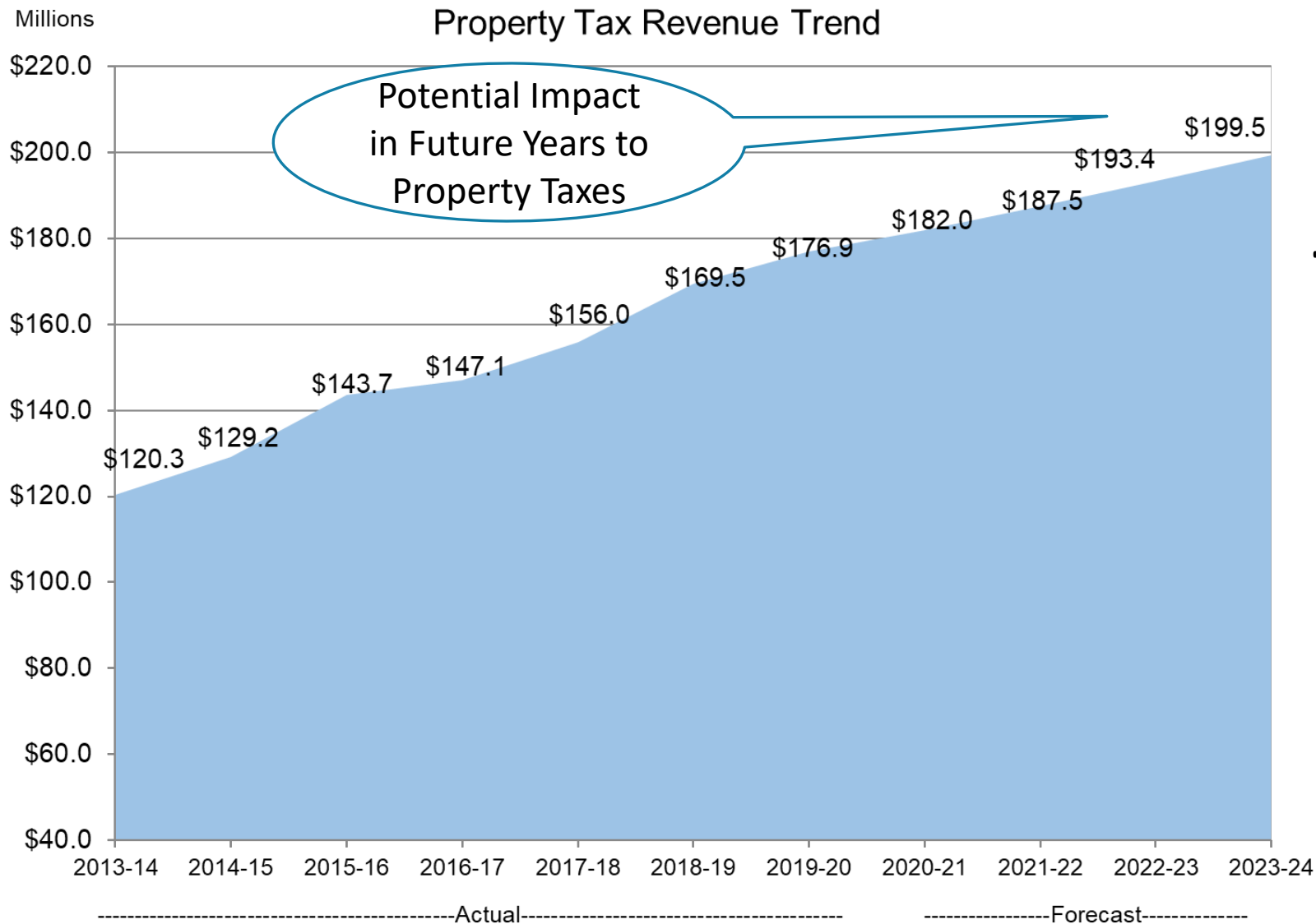


- Funding gaps emerge beginning next fiscal year, growing from \$40.7 million to \$45.6 million by the end of the forecast period.
- Driving the deficits is rising employee pension contributions which add \$6.1 million in general fund costs next year, \$2.3 million in FY 2022-23 and \$1 million in FY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

Non-Program Revenue Trend

- CARES revenue will be instrumental for the County to end with a balance budget in FY 2020-21
- Future years' growth is minimal, not keeping pace with expenditure growth
- It is important to continue monitoring discretionary revenue growth compared to expenditure growth

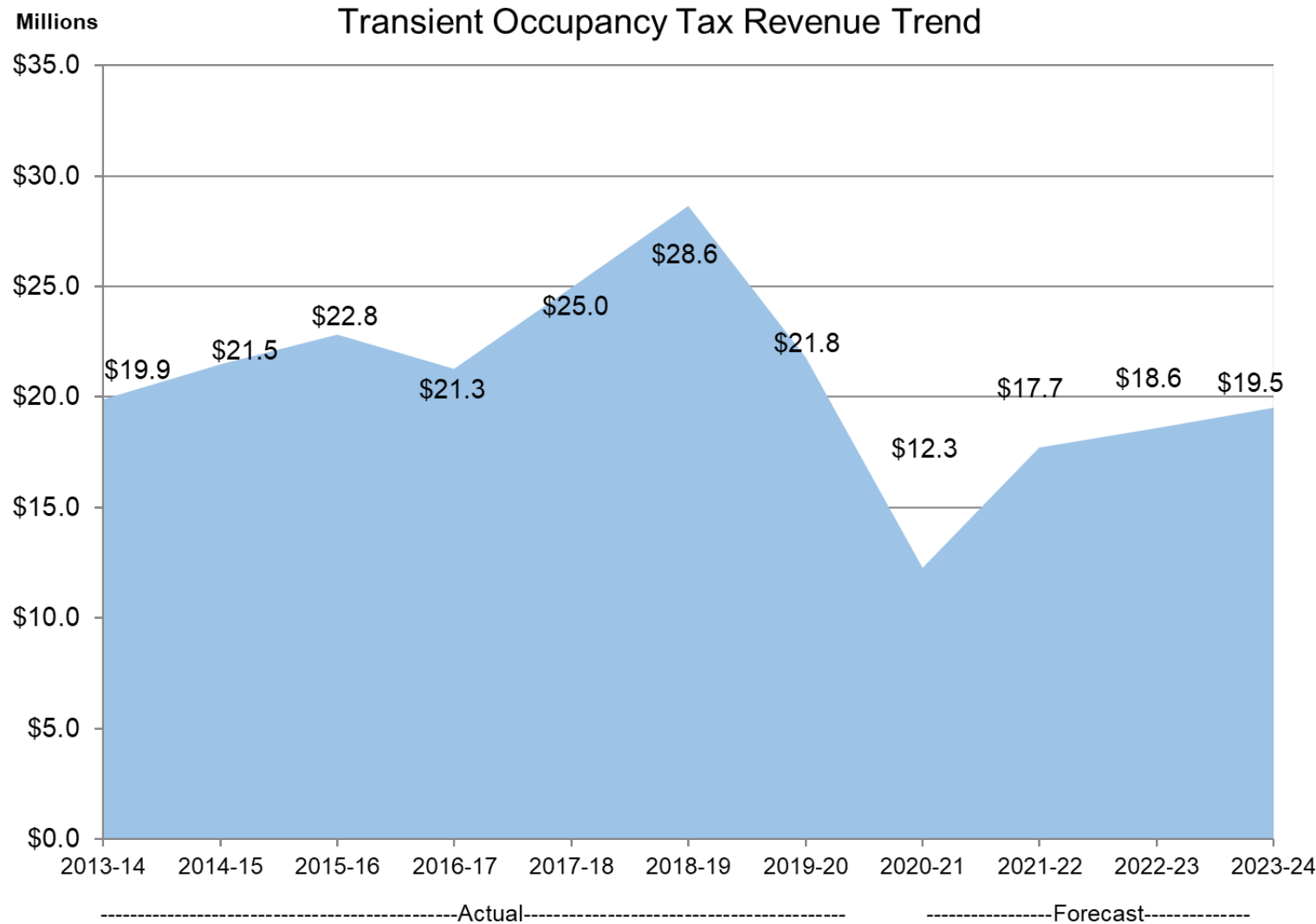




Discretionary Revenue Drivers – Property Tax

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

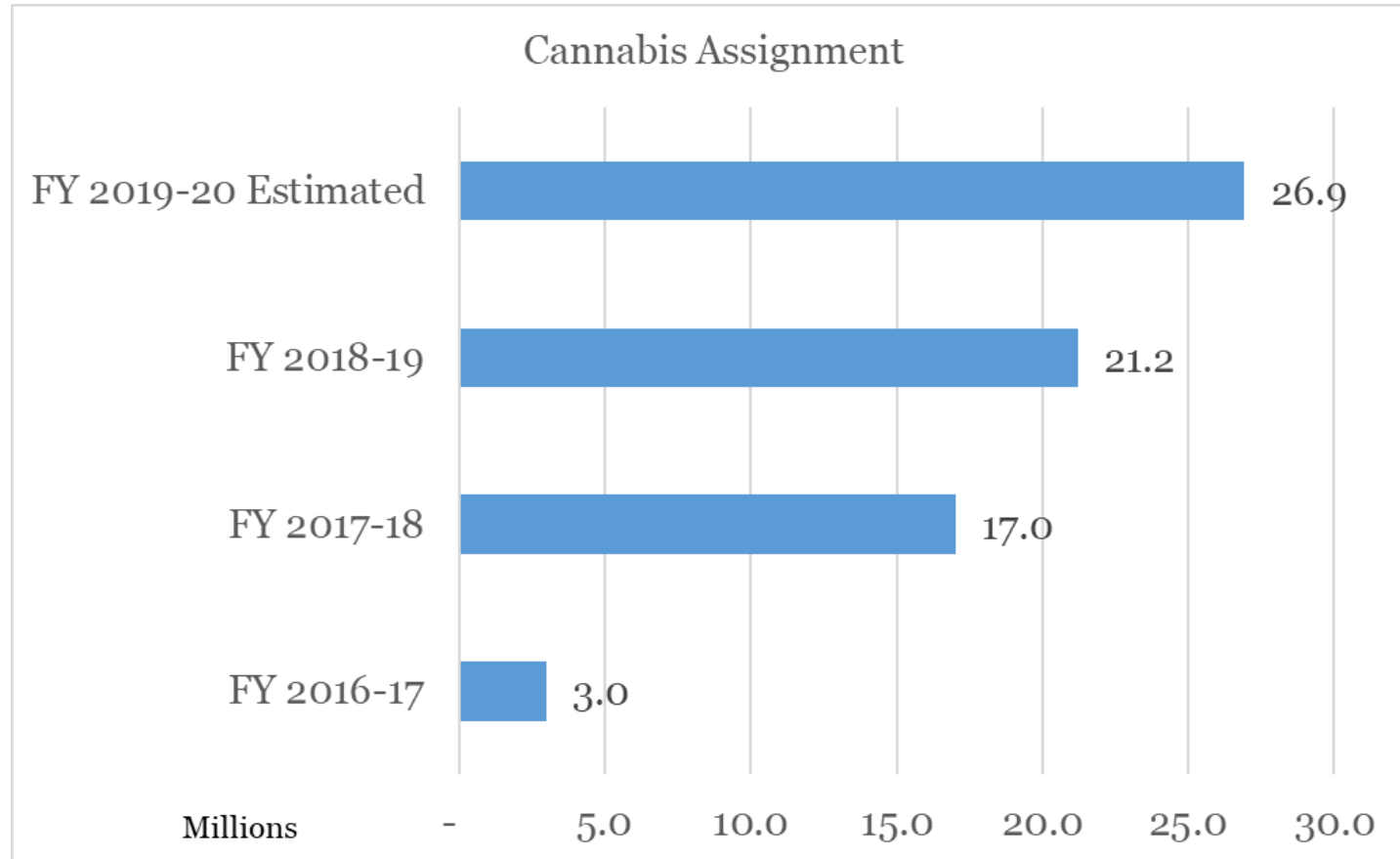
Discretionary Revenue Drivers – TOT



- 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



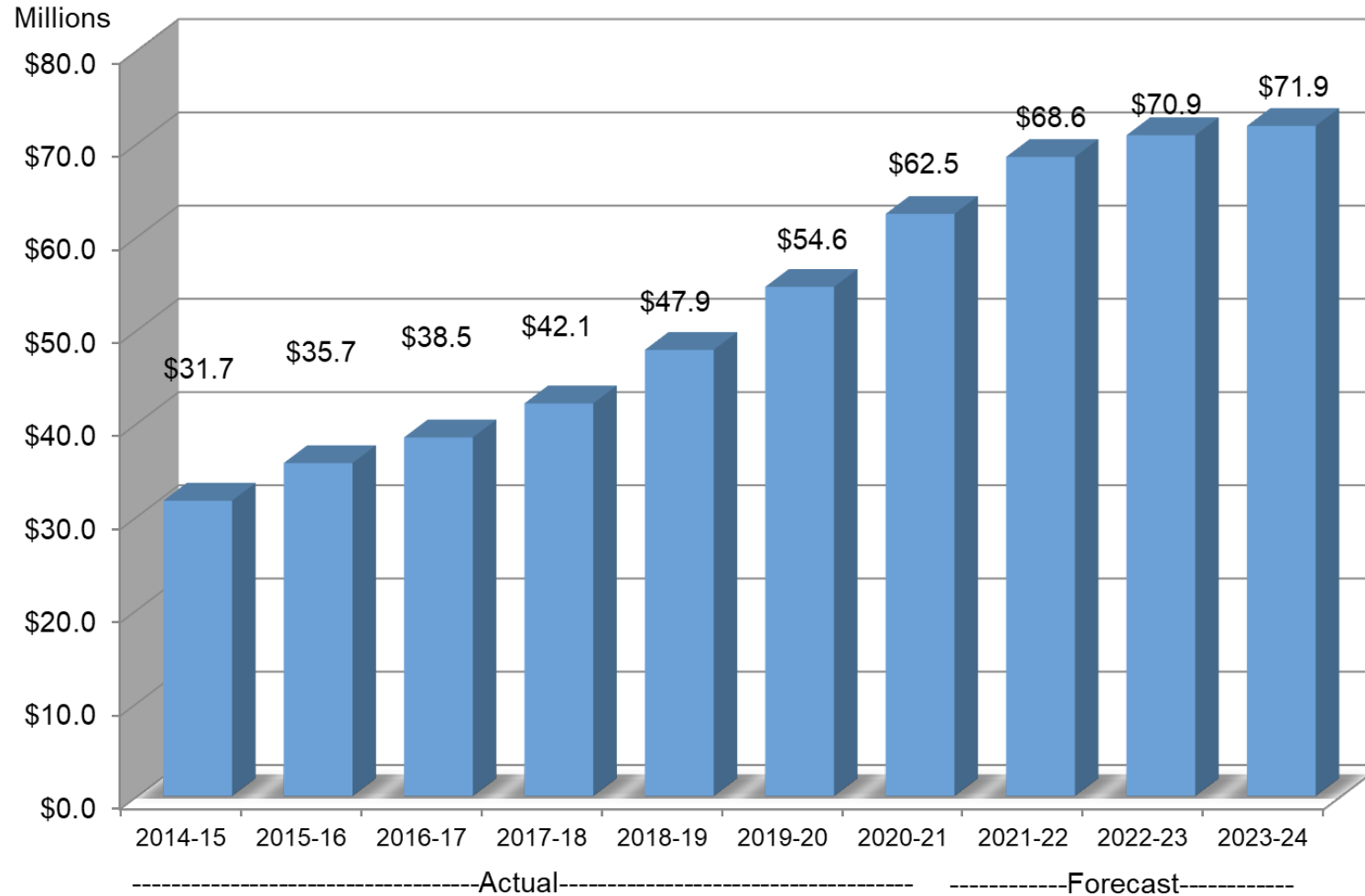
Cannabis Assignment



- 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 (prior to potential revenue reimbursements).

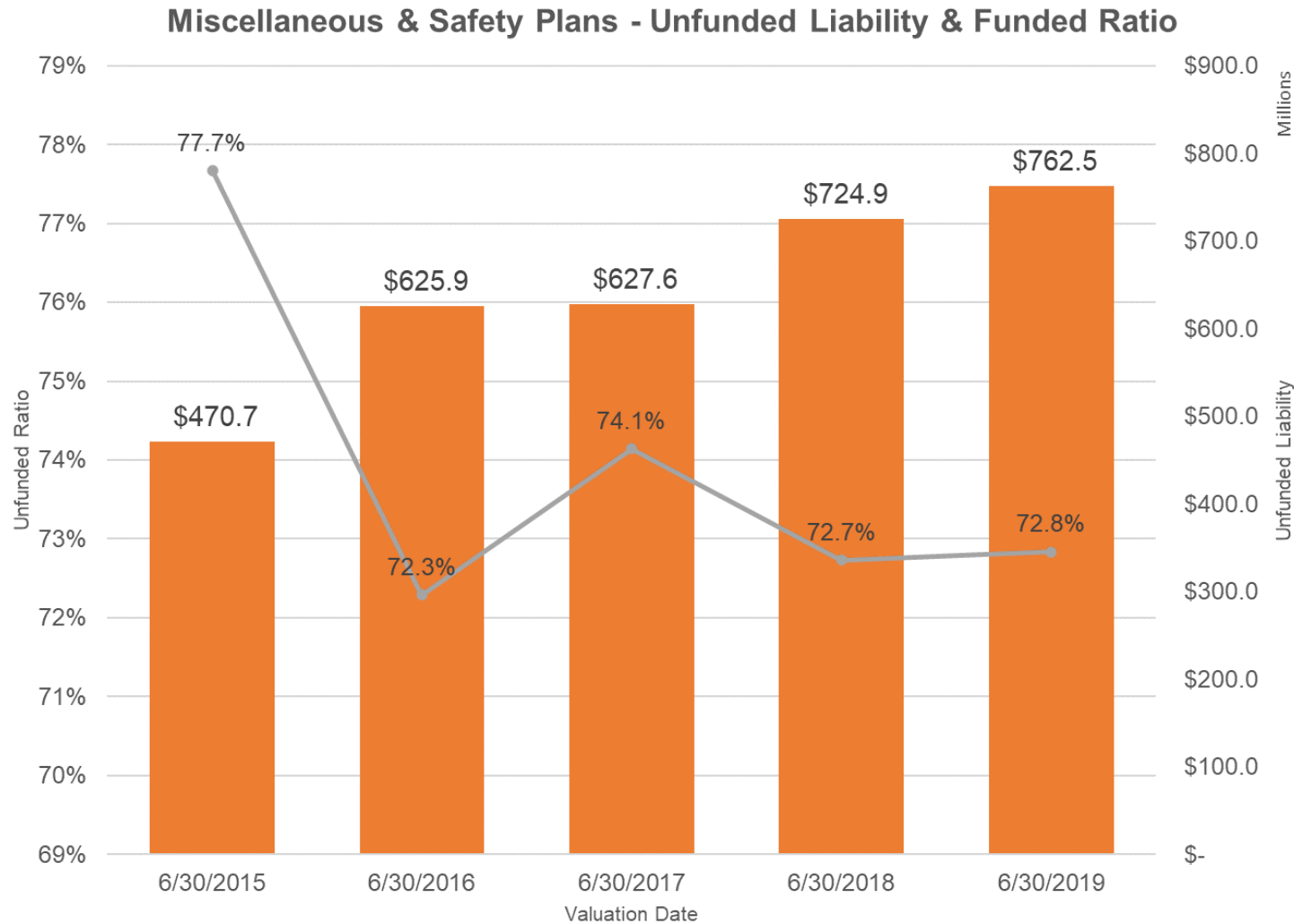
Rising Pension Costs

General Fund PERS Retirement Expenditures



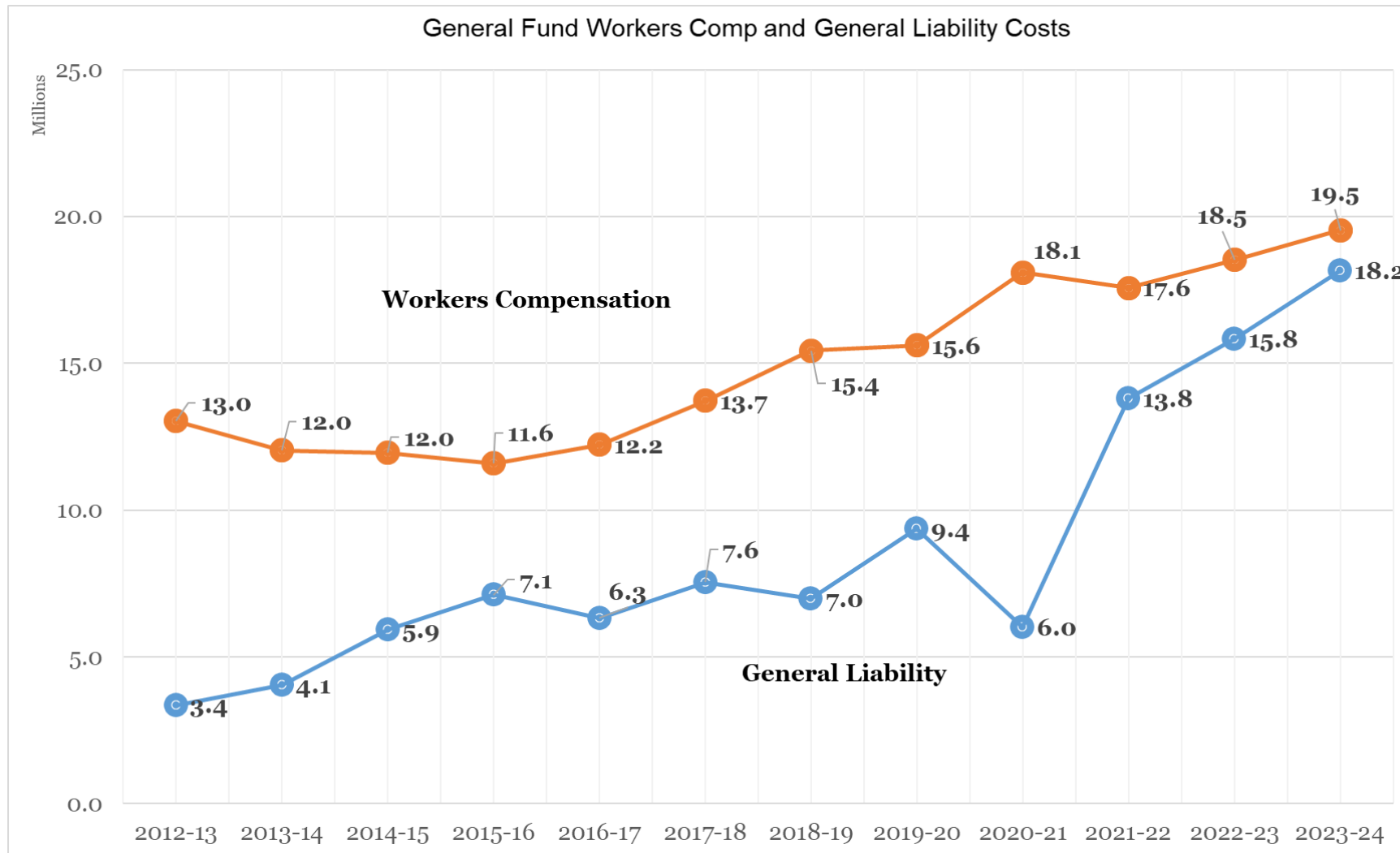
- Driving pension costs upward across the state is CalPERS' annual rate increases to ensure assets are on hand to pay benefits in the future.
- The County's safety pension program is currently 65% funded while the non-safety plan is 75.7% funded.

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

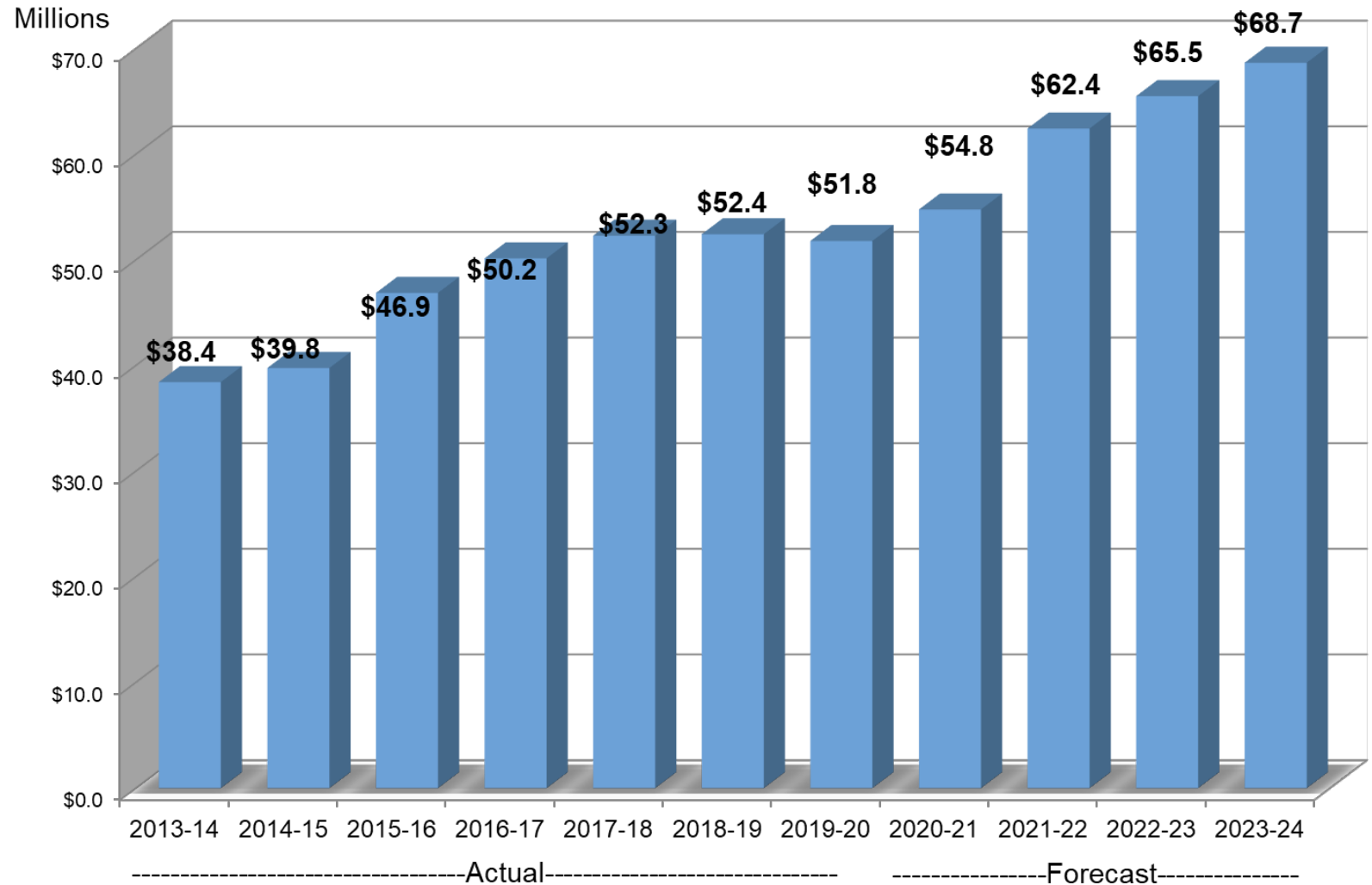


- Forecasted Workers Compensation Program expenditures increase \$3.9 million by the end of the forecast period.
- General Liability (GL) Insurance Program expenditures increase \$7.8 million next year. Growth is due to suspension of GL non recoverable charges in FY 2020-21. GL grows an additional \$4.4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

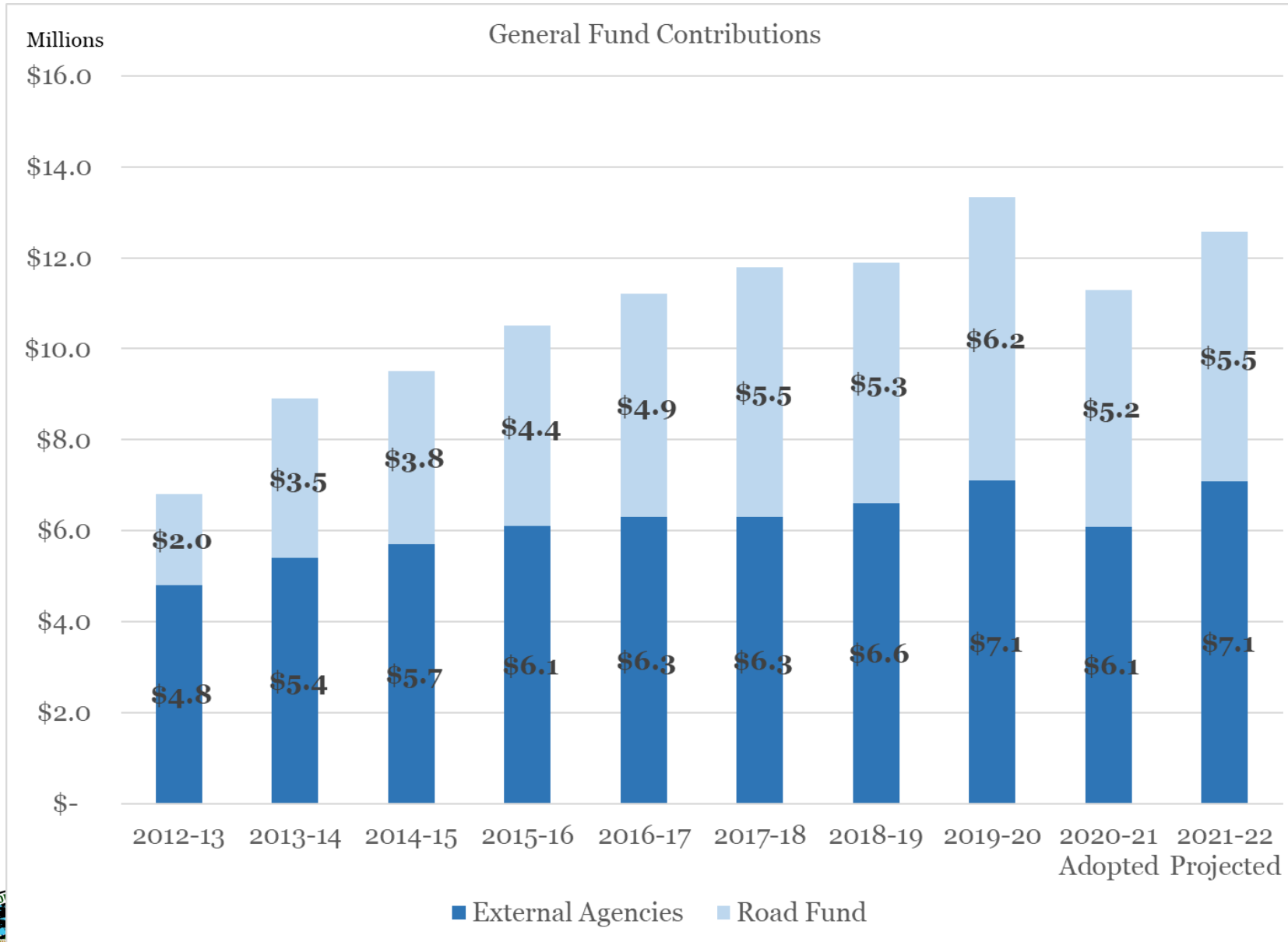
General Fund Health Insurance

- 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.
- **COVID-19 will likely result in increases for health premiums in the future**

General Fund Employee Health Insurance Expenditures



General Fund Contribution to Outside Agencies



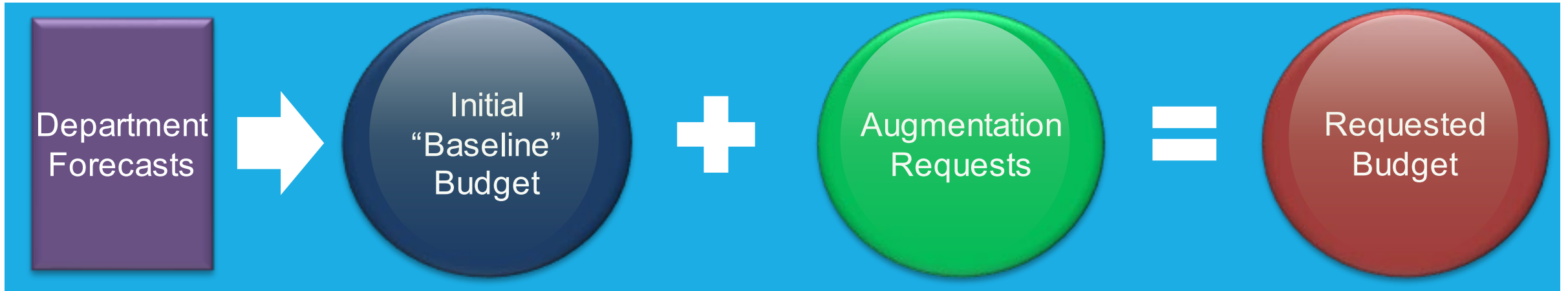
- The chart at left shows general fund contributions to the road fund and to the “development set-aside” agencies (MCCVB, Arts Council, Film Commission, and Business Council).
- These formula-based contributions are tied to County TOT collections.
- As TOT revenue has risen significantly, so have contributions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





FY 2021-22 Recommended Budget

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

Recommended Budget at a Glance - 1

\$1.6 billion in appropriations (all funds)

- \$16.2 million (1%) increase from current year adopted budget.
- Higher expenditures driven by increased employee benefit costs and higher expenditures at NMC, Behavioral Health, & Road Fund.
- General Fund Budget is balanced with \$744.7 million in revenue and utilizes \$9.2million in fund balance, which includes these major areas:
 - \$4.1 million in departmental restricted fund balance
 - \$2.75 million in cannabis assignment for water resources project (\$1.5 million) and sheriff radios (\$1.25) previously approved by the Board
 - \$1.6 million Information Technology Assignment use for capital projects

Recommended Budget at a Glance - 2

5,499 FTEs (all funds)

- Growth of 91.55 FTEs over current year adopted budget.
- Position growth mostly at NMC.

ARPA has changed the County's short-term Economic Outlook

- **ARPA Final Allocation is \$84.3 million, and County must apply for these funds. County applied for funding May 11, 2021.**
- Many Augmentations were funded using ARPA funds to fund core programs and one-time expenditures.

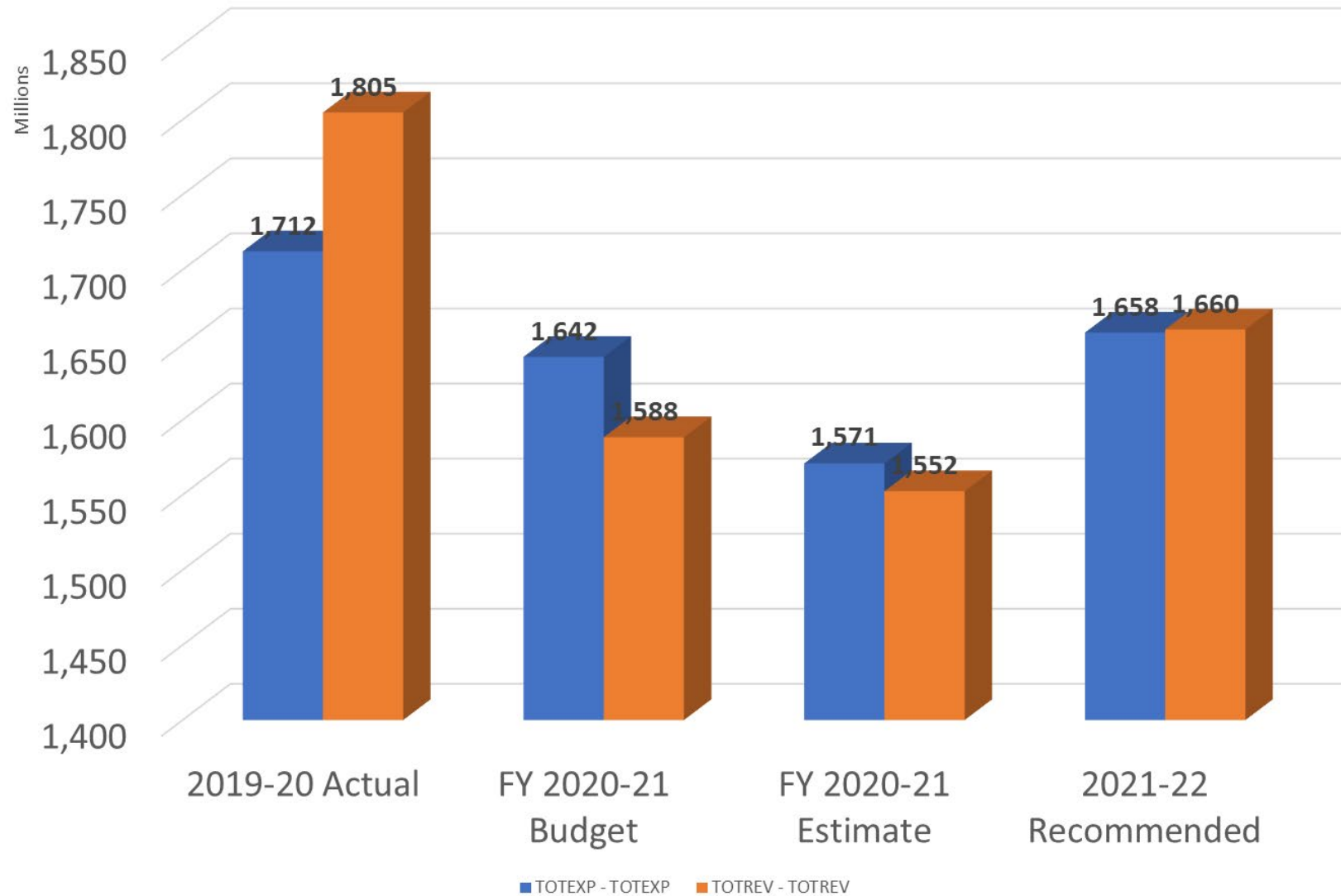
Contributions to Outside Agencies and Fire Districts are modified upward to account for prior year reduction



Fiscal Environment

- Economic expansion was entering 11th year (longest in US history) but ended abruptly due to pandemic
- Revenue environment is now in flux, recovering but speed of recovery is unknown
- General fund discretionary revenue growth not enough to keep up with rising employee benefit costs, higher self-insurance program outlays, and formula-based contribution increases.
- All the available discretionary revenue growth (except for some cannabis revenue growth estimated at \$1.3 million) is recommended to help departments keep up with these increased costs to maintain current staffing & service levels.

Overall County Budget FY 2021-22



County
Budget (All
Funds)

General Fund Budget

Departmental Restricted fund balance

- \$3.5 million health
- \$583,209 DSS
- \$120,000 Sheriff

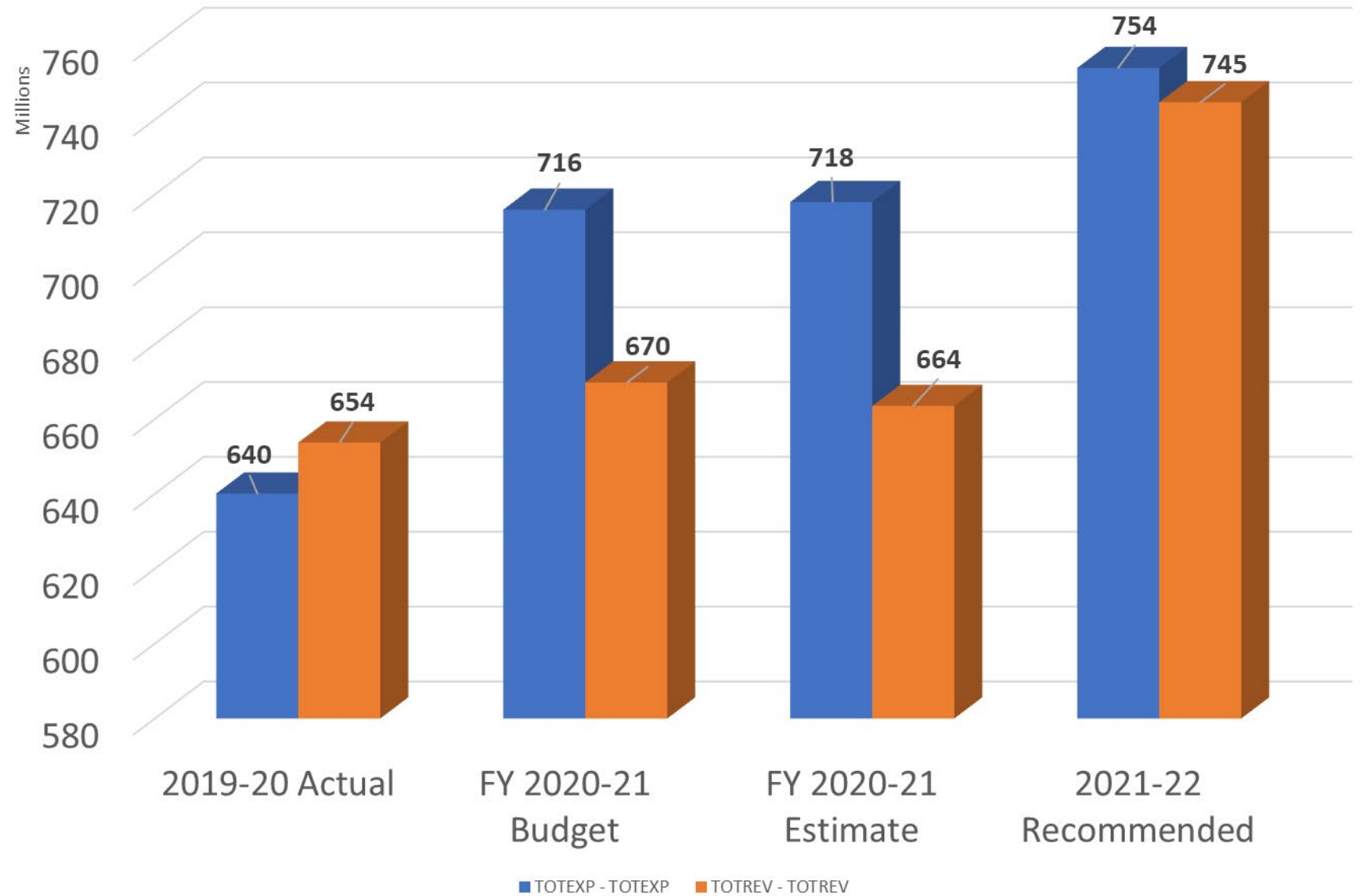
Cannabis Assignment

- \$1.5 million for WRA
- \$1.25 million for radios

IT Assignment

- \$1.6 million

General Fund Budget FY 2021-22




Requested Augmentations Summary

- Departments submitted **\$43.7** million in augmentation requests from the following funds:
 - \$43.1 million in the General Fund
 - \$226,516 in the health Realignment Fund
 - \$394,791 from the Pajaro Sanitation District Fund


Dept. Name	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	4.00	16,722,479
County Counsel	-	107,494
District Attorney	2.00	603,766
Emergency Communications	7.00	-
Health	10.50	1,382,006
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	5,708,091
Sheriff-Coroner	36.00	12,292,551
Social Services	5.00	386,394
Treasurer-Tax Collector	-	78,959
Grand Total	128.65	43,731,799

Position Related Requested Augmentations

Category	 FTE	Amount
Request New Position	55.50	4,460,256
Status Quo Filled Position	23.15	2,013,961
Status Quo Vacant Position	50.00	6,022,175
Grand Total	128.65	12,496,392

Recommended Augmentations

	Status Quo								
Department	Filled FTE	Vacant FTE	New FTE	Position Cost	Capital	Status Quo Other	New Program	Other	Total Amount
Agricultural Commissioner						\$ 222,353			\$ 222,353
Auditor-Controller		1.00	1.00	\$ 312,197			\$ 40,000		\$ 352,197
Child Support Services	9.00			\$ 257,417		\$ 101,411			\$ 358,828
Civil Rights Office						\$ 22,500	\$ 46,500		\$ 69,000
Cooperative Extension Service	0.15			\$ 12,600					\$ 12,600
County Administrative Office			3.00	\$ 482,902	\$ 11,258,621	\$ 107,494	\$ 1,972,174	\$ 363,351	\$ 14,184,542
County Counsel									\$ -
District Attorney			1.00	\$ 248,187		\$ 237,000			\$ 485,187
Emergency Communications		7.00		\$ 257,224					\$ 257,224
Health			8.00	\$ 129,371			\$ 791,838	\$ 226,516	\$ 1,147,725
Housing and Community Development		6.00	2.00	\$ 1,165,661		\$ 400,000	\$ 205,000		\$ 1,770,661
Human Resources		2.00	2.00	\$ 630,440					\$ 630,440
Information Technology					\$ 1,627,635				\$ 1,627,635
Probation						\$ 371,012			\$ 371,012
Public Defender	2.00			\$ 504,002					\$ 504,002
Public Works, Facilities & Parks	12.00	3.00	9.00	\$ 2,037,523		\$ 498,270	\$ 914,934		\$ 3,450,727
Sheriff-Coroner		13.00		\$ 1,441,527	\$ 2,450,000				\$ 3,891,527
Social Services			5.00	\$ -		\$ 386,394			\$ 386,394
Treasurer-Tax Collector						\$ 78,959			\$ 78,959
Grand Total	23.15	32.00	31.00	\$ 7,479,051	\$ 15,336,256	\$ 2,425,393	\$ 3,970,446	\$ 589,867	\$ 29,801,013

Dept Name	 Request New Position	Status Quo Filled Position	Status Quo Vacant Position	Grand Total
Auditor-Controller	1.00		1.00	2.00
Child Support Services		9.00		9.00
Cooperative Extension Service		0.15		0.15
County Administrative Office	3.00		-	3.00
District Attorney	1.00			1.00
Emergency Communications			7.00	7.00
Health	8.00			8.00
Housing and Community Development	2.00		6.00	8.00
Human Resources	2.00		2.00	4.00
Public Defender		2.00		2.00
Public Works, Facilities & Parks	9.00	12.00	3.00	24.00
Sheriff-Coroner			13.00	13.00
Social Services	5.00			5.00
Grand Total	31.00	23.15	32.00	86.15

Recommended Augmentations- Status Quo Filled and Vacant FTE, New FTE

- New Social Services positions were funded by departmental revenue
- Status Quo positions in Emergency Communications are funded by transfer from CAO's budget in the amount of \$257,224 plus departmental revenue of \$574,621.

Recommended Augmentations- Capital Projects

Category	FTE	Amount
Capital Improvements	-	15,336,256
County Administrative Office	-	11,258,621
CIP - Laguna Seca Water Project	-	500,000
CIP - Park Sewer and Water Capital Projects	-	10,758,621
Information Technology	-	1,627,635
AUG-CIP County's Micro Wave Network	-	351,635
AUG-CIP LAW network upgrade	-	200,000
AUG-CIP Video conferencing	-	100,000
AUG-CIP Upgrade ITD Data Center	-	230,000
AUG-CIP Replace HVAC Equipment	-	200,000
AUG-CIP ITD Remodel	-	546,000
Public Works, Facilities & Parks	-	-
CIP - Park Sewer and Water Capital Projects	-	-
PWFP - Boronda CSD- Foothill Intertie Project	-	-
PWFP - Prop 68 per capita match	-	-
Sheriff-Coroner	-	2,450,000
Jail's Back-up Sewer System	-	1,200,000
Motorola Radios	-	1,250,000
Grand Total	-	15,336,256

- Capital projects are funded in the originating department's unit and funds are transferred to Fund 404 or 402 as appropriate, therefore, you see Public Works projects as zero on the table to the left.
- Details about the \$10.8 million in water/sewer projects is delineated in separate slide under the ARPA Funding Plan.

Recommended Augmentations- New Programs

Category	FTE	Amount
[-] New Mandated Program/Service w/ General Fund Funding	-	774,338
Auditor-Controller	-	40,000
Civil Rights Office	-	46,500
Health	-	362,838
Housing and Community Development	-	145,000
Public Works, Facilities & Parks	-	180,000
[-] New Program/Service w/ General Fund Funding	-	3,196,108
County Administrative Office	-	1,972,174
Health	-	429,000
Housing and Community Development	-	60,000
Public Works, Facilities & Parks	-	734,934
Grand Total	-	3,970,446


Dept Name	Budget Request Name	Sum of Requested Amount
<input type="checkbox"/> Auditor-Controller	AUG-Software	40,000
Auditor-Controller Total		40,000
<input type="checkbox"/> Civil Rights Office	ASL and Spanish Interpretation / Translation	5,000
	Equal Opportunity Plan Development	16,000
	State-Mandated Training (Prevention Sex. Har.)	15,500
	Title VI and Title VII Civil Rights Act Training Support	10,000
Civil Rights Office Total		46,500
<input type="checkbox"/> County Administrative Office	2021 Redistricting	400,000
	CA Cannabis Authority JPA	223,000
	Cannabis Contingency Fund	265,280
	EOC-TMD Communications	385,000
	Live Wall Monitors	50,000
	MB Econ Partnership Membership	10,000
	Natl Dev Council Contract	75,000
	Op Transfer to Capital Fund for EIR Carmel Lagoon Sandbar	256,894
	Op Transfer to Road Fund Carmel Lagoon Sandbar	110,000
	Serv/Suppl - Media Comm. Start-up	50,000
	Sustainability Serv/Suppl	147,000
County Administrative Office Total		1,972,174
<input type="checkbox"/> Health	Cannabis Program	142,838
	COVID19 -stipends for residents	-
	FACE MASK ORDINANCE	220,000
	Mobile Clinics	99,000
	New Bright Beginings COVID Response & Recovery	200,000
	New Bright Beginings School Readiness Assessment	130,000
Health Total		791,838
<input type="checkbox"/> Housing and Community Dev	HCD - Fire Fuel Mitigation	60,000
	HCD - Housing Housekeys	145,000
Housing and Community Development Total		205,000
<input type="checkbox"/> Public Works, Facilities & Pa	PWFP - Data Ticket, Inc Parking Citation Processing	50,000
	PWFP - Fire Fuel Abatement & Tree Work	120,000
	PWFP - Playground Safety Inspections	10,000
	PWFP - Unscheduled Maintenance	734,934
Public Works, Facilities & Parks Total		914,934
Grand Total		3,970,446

Recommended Augmentations- New Programs Detail

- Health stipend for residents shows as zero since it is funded with departmental revenue



Financing for Augmentations

Recommended? 	ARPA Revenue Loss	ARPA Funding	Cannabis Revenue Growth	Cannabis Assignment	Department Funding	IT Assignment	Grand Total
<input checked="" type="checkbox"/> Yes	10,954,647	13,046,189	2,696,026	1,250,000	226,516	1,627,635	29,801,013
Agricultural Commissioner	222,353						222,353
Auditor-Controller	167,200		184,997				352,197
Child Support Services	358,828						358,828
Civil Rights Office	69,000						69,000
Cooperative Extension Service	12,600						12,600
County Administrative Office	1,599,803	11,846,189	888,280				14,334,272
County Counsel	107,494						107,494
District Attorney	237,000		248,187				485,187
Emergency Communications	-						-
Health			921,209		226,516		1,147,725
Housing and Community Development	1,770,661						1,770,661
Human Resources	630,440						630,440
Information Technology						1,627,635	1,627,635
Probation	371,012						371,012
Public Defender	504,002						504,002
Public Works, Facilities & Parks	3,400,727	-	50,000		-		3,450,727
Sheriff-Coroner	1,441,527	1,200,000		1,250,000			3,891,527
Social Services			386,394		-		386,394
Treasurer-Tax Collector	62,000		16,959				78,959
Grand Total	10,954,647	13,046,189	2,696,026	1,250,000	226,516	1,627,635	29,801,013

* Cannabis Assignment Funding was approved by the Board the prior Fiscal Year for purchase of Sheriff's radios

Unfunded Augmentations Summary

Incl	Ranking Type Name	Dept Name	FTE	Amount
<input type="checkbox"/> No	<input type="checkbox"/> Capital Improvements	County Administrative Office	-	1,450,000
		Public Works, Facilities & Parks	-	-
		Sheriff-Coroner	-	174,730
	<input type="checkbox"/> Contribution to Other Funds	Public Works, Facilities & Parks	-	394,791
	<input type="checkbox"/> New Mandated Program/Service	County Administrative Office	-	-
		Public Works, Facilities & Parks	-	647,000
	<input type="checkbox"/> New Program/Service w/ General	County Administrative Office	-	800,000
		Public Works, Facilities & Parks	-	209,945
	<input type="checkbox"/> Request New Position	County Administrative Office	1.00	138,207
		District Attorney	1.00	118,579
		Health	2.50	234,281
		Human Resources	2.00	204,952
		Public Works, Facilities & Parks	12.00	915,044
		Sheriff-Coroner	6.00	682,460
	<input type="checkbox"/> Status Quo Other	Housing and Community Development	-	200,000
		Probation	-	126,379
		Public Works, Facilities & Parks	-	-
		Sheriff-Coroner	-	4,910,600
	<input type="checkbox"/> Status Quo Vacant Position	Public Works, Facilities & Parks	1.00	90,584
		Sheriff-Coroner	17.00	2,633,234
No Total			42.50	13,930,786
Grand Total			42.50	13,930,786

Additional Funding Requests Received Outside Augmentation Process

- Salinas Valley Promise \$250,000 each FY (2021-22 and 2022-23) for a total of \$500,000
- Broadband connectivity projects \$3.5 million
- Temporary Homeless shelter demolition \$207,000
- San Lucas Water Project
- Salinas Regional Soccer Complex \$250,000
- Pathway to Recovery for Children \$1.5 million

American Rescue Plan Act (ARPA) Funding Eligible Uses

Funds must be used **by December 31, 2024** for qualified costs to:

“to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;”

“to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;”

“for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or”

“to make necessary investments in water, sewer, or broadband infrastructure”



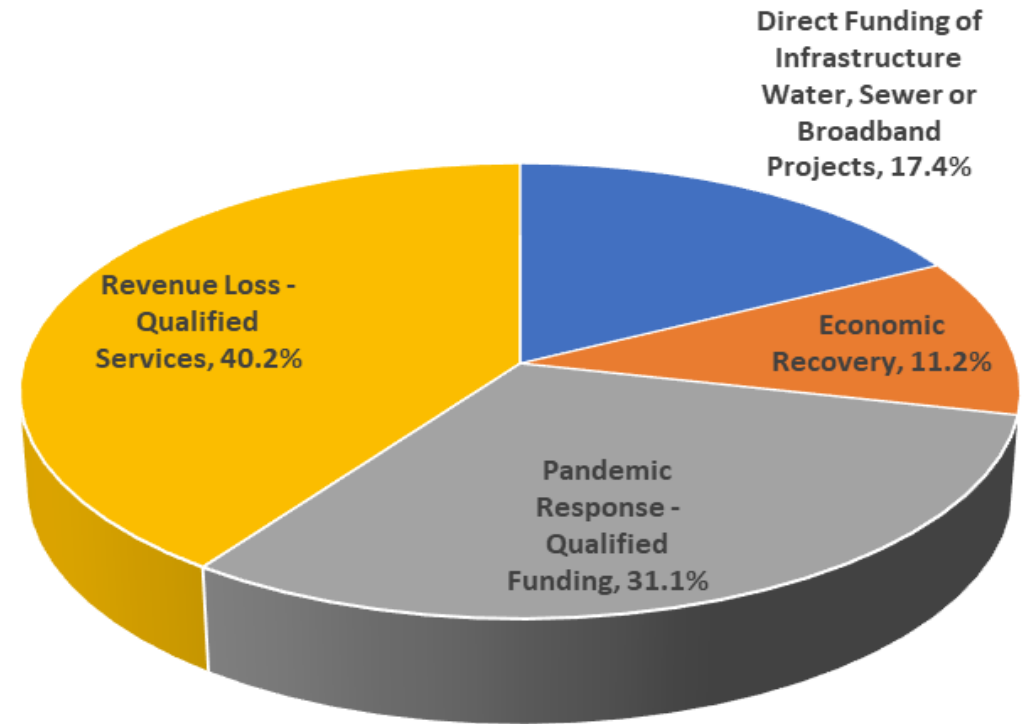
ARPA Funding Priorities (\$84.3 million)

What was the process?

- Outreach to County Departments to determine their priorities to respond to the pandemic (January to June 2021)
- Board approved County's Response and resources on February 9, 2021
- ARPA signed into Law March 11, 2021
- Reviewed ARPA funding requirements
- Presented first draft of priorities to Budget Committee 04/28/2021
- May 10, 2021 - draft ARPA requirements were released
- May 17, 2021 - Capital Improvement Committee reviewed recommended ARPA capital projects
- **Budget Committee Further Direction (05/26/2021)**
- **Next Steps:**
 - Confirm eligible expenditures once Final US Treasury Guidance is received
 - Leverage other funding opportunities
 - Bring allocation to the Board for approval during budget hearings

Preliminary Funding Allocation Recommendation

- 40.2% Revenue Loss – Qualified Services
- 31.1% Pandemic Response – Qualified Funding
- 17.4% Infrastructure
- 11.2% Economic Recovery



ARPA Funding Allocation Recommendation

ARPA Funds Utilization	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Totals
Infrastructure Water, Sewer or Broadband	\$ -	\$ 12,458,621	\$ 1,805,862	\$ 375,524	\$ 14,640,007
Economic Recovery	\$ -	\$ 4,541,487	\$ 3,188,659	\$ 1,750,000	\$ 9,480,146
Pandemic Response - Qualified Funding	\$21,984,647	\$ 2,587,568	\$ 1,685,349	\$ -	\$ 26,257,564
Revenue Loss - Qualified Services	\$ 1,814,761	\$ 14,647,589	\$ 10,597,091	\$ 6,874,103	\$ 33,933,544
Total ARPA Fund Utilization	\$ 23,799,408	\$ 34,235,265	\$ 17,276,961	\$ 8,999,627	\$ 84,311,261

- FY 2020-21 activity is for COVID response approved by the Board for expenditures incurred from March 3, 2021 including
 - VIDA project
 - Health and Social Services response to pandemic
- Of the \$4.5 million under economic recovery in FY 2021-22, the Board approved use of \$2 million for grants certain businesses affected by Pandemic
- 05/25/2021 the Board approved \$500,000 for funeral assistance program will be part of the pandemic response costs for FY 2021-22

Revenue Loss Recovery - \$34.5 million

Services Provision backfilled with ARPA due to Revenue Loss					
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Totals
RMA Revenue Loss reported 02/09/2021 for FY 2020-21	\$ 1,814,761				\$ 1,814,761
Free Access to County Parks by the Public		\$ 275,000			\$ 275,000
Augmentations Funded by Revenue Backfill		\$ 10,954,647	\$ 10,597,091	\$ 6,874,103	\$ 28,425,841
Revenue backfill available for core programs as directed by the Board		\$ 3,417,942			\$ 3,417,942
Totals	1,814,761	14,647,589	10,597,091	6,874,103	33,933,544

Pandemic Response Category Details \$26.2 million

- FY 2020-21 pandemic response activities already approved by the Board (\$21.9 million) would replenish local funding, providing more local flexibility for ongoing response in FY 2021-22
- Support for Public Health response to the Pandemic (\$16.9 million)
 - COVID9 Compliance and Enforcement
 - Staff costs responding to the pandemic
 - Lab Infrastructure and supplies
 - Testing and vaccine administration
 - Contact Tracing
 - Housing Assistance
 - Food Assistance – Senior Meal Program, Great Plates
 - Small Business Grants
 - Protective Equipment
- Community Outreach Program - VIDA (\$4.9 million)
- Leaves \$4.3 million in ARPA funding for new COVID response programs in future fiscal years and frees up local funding to continue responding in the future
- Reconciliation of FY 2020-21 expenses will have to be performed as only expenses after March 3, 2021 are eligible

FUNERAL ASSISTANCE PROGRAM approved 05/25/2021 for \$500,000 will also come out of this category.

ARPA Infrastructure Projects

Infrastructure Projects Summary	FY 2021-22	FY 2022-23	FY 2023-24	Totals
Lake San Antonio South Shore	\$ 4,154,400			\$ 4,154,400
Lake San Antonio North Shore	\$ 3,102,400			\$ 3,102,400
Lake Nacimiento	\$ 384,800			\$ 384,800
Toro Park	\$ 1,616,518			\$ 1,616,518
Manzanita Park	\$ 742,912			\$ 742,912
Royal Oaks Park	\$ 699,082			\$ 699,082
Jacks Peak	\$ 58,509			\$ 58,509
Park Projects Contingency	\$ -	\$ 575,862	\$ 200,524	\$ 776,386
Laguna Seca Water Project	\$ 500,000	\$ 1,230,000	\$ 175,000	\$ 1,905,000
Jail Lift Sewer System	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Totals	\$ 12,458,621	\$ 1,805,862	\$ 375,524	\$ 14,640,007

ARPA Economic Recovery

Economic Recovery	FY 2021-22	FY 2022-23	FY 2023-24	Totals
Economic Recovery - Countywide Business Retention	\$ 1,724,931	\$ 1,500,000	\$ 1,000,000	\$ 4,224,931
Economic Recovery - Employment Programs	\$ 800,000	\$ 500,000	\$ 250,000	\$ 1,550,000
Economic Recovery - Countywide Hospitality/Tourism	\$ 847,432	\$ 500,000	\$ 500,000	\$ 1,847,432
Fire Districts Pandemic Response Costs	\$ 500,000			\$ 500,000
Revenue Loss - qualified funding outside agencies	\$ 610,281	\$ 610,281	\$ -	\$ 1,220,562
Revenue Loss - qualified funding fire districts	\$ 38,021	\$ 50,643	\$ -	\$ 88,664
Revenue Loss - qualified funding user agencies	\$ 20,822	\$ 27,735	\$ -	\$ 48,557
Totals	\$ 4,541,487	\$ 3,188,659	\$ 1,750,000	\$ 9,480,146

- Of the \$4.5 million in FY 2021-22 the following is already allocated to specific programs
 - \$2,061,626 approved for grants to local restaurants, personal care services, and public swimming pools as approved by the Board May 18, 2021
 - \$669,124 are part of the recommended budget

Capital Improvement Committee and Budget Committee ARPA Priorities

Capital Improvement Committee

- Add funding for the CSDs and CSAs water and sewer projects estimated at \$4.1 million
- Park Projects
- Lakes, but north shore projects not as high a priority as other projects

Budget Committee

- Salinas Valley Promise
- Childcare
- Soccer Complex
- Esperanza Care
- Present only top priorities for CSAs and CSDs
- Lakes funding lower priority

A Note on Recommended Augmentations

- Child support services augmentation is recommended for funding at \$358,828, but the Department received additional state funding after the Recommended budget was developed, reducing their funding need to \$186,657.
- Staff worked together to reduce augmentations below initially requested amounts by examining areas of potential budget flexibility.
- This was done to “stretch the County dollar” to preserve service capacity but diminishes flexibility to respond to unplanned operational needs in the future.

Recommendations

It is recommended that the Board of Supervisors:

1. Hold a Public Hearing on June 2, 2021 at 9:00 a.m. to consider adopting the Fiscal Year (FY) 2021-22 Appropriation Limits pursuant to Article XIIIB of the California State Constitution.
2. Commence Budget Hearings with the County Administrative Office summary presentation of the FY 2021-22 Recommended Budget on June 2, 2021 at 9:00 a.m. and continue Budget Hearings on June 3, 2021 beginning at 9:00 a.m. if necessary.
3. Authorize and direct the County Administrative Office to prepare the FY 2021-22 Adopted Budget Resolution reflecting changes made by the Board during budget hearings, to make any changes in budget units to reflect any position and/or account adjustments approved by the Board during or prior to budget hearings.
4. Authorize and direct the County Administrative Office and Auditor-Controller to adjust, if needed, position counts, appropriations, revenues, fund balances, etc. to correct clerical and inadvertent errors due to erroneous entries in the County's budget system.



Recommendations (continued)

5. Authorize the County Administrative Office to amend the FY 2021-22 General Financial Policies by adjusting the contribution of transient occupancy tax (TOT) revenue to the Monterey County Convention and Visitors Bureau, Arts Council and Film Commission from the current rates of 6.0%, 1.98% and 0.95% of County TOT revenue based on prior year audited actuals to the new methodology using the same percentages of FY 2018-19 audited actual TOT (\$28,607,881) as the base, resulting in contributions of \$1,716,473, \$566,436 and \$271,775 respectively. Authorize and direct the County Administrative Office to incorporate this change in the FY 2021-22 Adopted Budget.



Recommendations (continued)

6. Authorize the County Administrative Office to amend the General Financial Policies by adjusting the contribution of TOT revenue to the Road Fund from the current rate of 25.0% of County TOT revenue based on prior year audited actuals to \$5,486,766, the FY 2021-22 maintenance of effort (MOE) requirement, effective July 1, 2021. Authorize and direct the County Administrative Office to incorporate in the FY 2021-22 Adopted Budget the updated TOT contribution to the Road Fund.
7. Authorize the County Administrative Office to amend the General Financial Policies by adjusting the contribution of Proposition 172 revenue to emergency communication user agencies from the current rate 5.0% of County's total Proposition 172 revenue for the most recent audited fiscal year to the same percentage of FY 2018-19 (\$36,098,066) resulting in a contribution amount of \$1,804,903. Authorize and direct the County Administrative Office to incorporate this change in the FY 2021-22 Adopted Budget.



Recommendations (continued)

8. Authorize the County Administrative Office to amend the General Financial Policies by adjusting the contribution of Proposition 172 revenue to fire agencies from the current rate of 9.13% of Proposition 172 revenue for the most recently audited fiscal year to the same percentage of FY 2018-19 (\$36,098,066) resulting in a contribution amount of \$3,295,753. Authorize and direct the County Administrative Office to incorporate this change in the FY 2021-22 Adopted Budget.
9. Authorize the County Administrative Officer or designee, to take all actions necessary to establish a 115 Trust with the Public Agency Retirement Service (PARS) for creation of a pension rate stabilization program for Miscellaneous and Safety retirement prefunding.

Recommendations (continued)

10. Authorize the County Administrative Office, in the event that any unbudgeted/unassigned fund balance is available at year-end FY 2020-21, to allocate in the following order of priority:
- a. For support of the *Strategic Reserve* (3111), not to exceed established Board policy of 10% of estimated FY 2020-21 General Fund revenues (excluding NMC Strategic Reserve) as prescribed in the County of Monterey General Financial Policy.
 - b. For the *General Fund Contingency Assignment* (3113) to help cover unanticipated events or emergencies as prescribed in the County General Financial Policy.
 - c. For funding of a 115 Trust for pension rate stabilization up to 10% of estimated FY 2020-21 General Fund revenues. Authorize the County Administrative Officer or designee to determine initial deposit of allocations between the Miscellaneous and Safety plans.



Recommendations (continued)

11. Authorize the County Administrative Office to transfer or release to/from assignments associated with the following self-funded programs in the event they require additional funds or have excess funds at the end of FY 2020-21:
 - a. Vehicle Replacement Assignment (3116).
 - b. Laguna Seca Track Assignment (3129).
 - c. Information Technology Charges Mitigation Assignment (3124).
 - d. Building Improvement and Replacement Reserve Assignment (3112).
 - e. Cannabis Tax Assignment (3132)
 - f. Disaster Assistance Program Assignment (3126).
 - g. Non-Recoverable Costs Assignment (3131).

Recommendations (continued)

12. Authorize the County Administrative Office to adjust the FY 2021-22 Adopted Budgets for the other funds under the authority of the Board of Supervisors to reflect the FY 2020-21 year-end final available fund balance.
13. Consider approval and adoption of the Public Works Facilities and Parks Department-Public Works Annual Work Program for the Road Fund for Fiscal Year 2021-22. California Code of Regulations Section 994 - Road Construction & Maintenance Activity, and Streets & Highways Code Division 3, Chapter 1, Section 2007 require that a Road Fund budget be submitted to the Board of Supervisors at the same time as other County departments submit their recommended budgets. The Public Works Annual Work Program outlines planned expenditures within the recommended Work Program (Road Fund) budget by project and activity. It details anticipated administrative, engineering, and reimbursable expenditures along with planned capital project expenses and maintenance activities.



Next Steps

- The Board will receive presentations from Department Heads and members/organizations from the public.
- During the hearing, the Board may make additions, reductions or modifications to the Recommended Budget.
- Understanding the budget is balanced as presented, financing options for potential increases include:
 - **Redirections:** The Board can direct staff to delete or modify County programs or contributions to other agencies and redirect those resources to other needs.
 - **Cannabis Revenue Growth:** the recommended budget includes \$2.7 million in cannabis revenue growth to fund augmentations, but there are additional unused funds estimated at \$1.3 million.
 - **ARPA Funds** – The Board can direct use of this funds for eligible expenditures
 - **Contingencies appropriation** - In accordance with Board policy, the budget includes 1% of estimated general fund revenues (\$7.2 million for FY 2021-22) set aside for operational contingencies



Discussion

Public Comment

Department Head Presentations

