



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

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Receive information on the FY 2017-18 Recommended Budget.

RECOMMENDATION:

It is recommended that the Board of Supervisors' Budget Committee receive information on the FY 2017-18 Recommended Budget.

SUMMARY:

The FY 2017-18 Recommended Budget includes \$1.5 billion in expenditures and supports a workforce of 5,278 authorized positions. The proposed budget will be presented to the Board of Supervisors for consideration at the public budget hearings scheduled to commence on June 5, 2017.

DISCUSSION:

The recommended spending plan for FY 2017-18 includes expenditures of \$1.5 billion for all funds, an increase of \$117.1 million from the current year adopted budget. Areas of growth include: increased labor costs to support the workforce; the addition of 65 positions since the adoption of the current year budget; higher expenditures as construction progresses for the East/West Wing renovation, jail addition, and the new juvenile hall; increased costs to repair damaged infrastructure as a result of fire and storm events; transfer of Laguna Seca track operations from the concessionaire (along with supporting revenue); and expansion of primary care and behavioral health services.

Recommended appropriations for the General Fund total \$679.1 million, representing growth of \$45.4 million over the current year adopted budget. Primary causes for the growth in appropriations include: increased costs to support the workforce primarily driven by authorized pay raises, increased pension contributions, and higher employee health insurance premiums; costs to upgrade technology including the enterprise resource planning (ERP) upgrade and replacing end-of-life equipment; and growing costs for construction as planned capital projects progress next fiscal year.

Departments submitted initial "baseline budgets" that balanced to their existing general fund contributions. Due to rising cost pressures for ongoing operations, initial requests indicated that departments could not afford their current operations and staffing levels next fiscal year without augmentations in County contributions. Departments identified funding gaps to continue 139 filled positions valued at \$18.2 million and 70 vacancies valued at \$7.7 million.

To close funding gaps and mitigate impacts, departments submitted augmentation requests totaling \$74.5 million in appropriations, supported by \$7.6 million in program revenue and \$66.9 million in requested County Contributions. The County Administrative Office identified \$23.9 million available to fund augmentation requests within the parameters of a structurally balanced budget, including \$16.5 million in recommended uses of operating reserves to support appropriate one-time expenditures and \$7.4 million growth in discretionary revenue after accounting for formulaic obligations. Staff prioritized funding of augmentation requests with a top priority of protecting County employees and current service levels. Other considerations included: supporting new positions that expand County services and leverage non-County funding streams, modernizing the County's infrastructure to ensure continuity of operations, and meeting existing contractual obligations and

new commitments.

Recommended augmentations include:

- Funding of \$13.4 million to preserve 123 at-risk filled positions and 24 critical vacancies at-risk due to countywide cost pressures. The largest staffing-related funding gaps were in the Sheriff's Office, the Probation Department, and the Resource Management Agency (RMA). Funding to these three departments restored a combined 85 at-risk filled positions and 22 vacancies to preserve current service levels.
- Support of 29 new positions funded by program revenues, of which 22 are in the Health Department to support expansion of health clinics and implementation of the Whole Person Care program. Other positions were approved in the Probation Department, District Attorney, and Public Defender's Office to support realigned public safety programs and are fully funded with realignment monies. In addition, two new positions were authorized in the RMA and Administrative Office to help launch the cannabis ordinance program, funded by cannabis program revenue.
- Funding for three new positions that are deemed critical to the County's operations, including a new immigration attorney in the Public Defender's Office and two new positions in Human Resources to improve services to operating departments.
- Investment of \$4.2 million to replace end-of-life information technology infrastructure to improve voice, data, video, and radio services.
- Funding of \$5.6 million to various departments to meet existing obligations and new commitments including: funding to RMA to cover increased maintenance and utilities at the Schilling Complex; support for the Salinas Valley Water Basin Study; funding for the Carmel Lagoon Project, update to the Local Coastal Program, and General Plan implementation services; meeting the County's share of cost for forming the Salinas Valley Basin Ground Water Sustainability Agency and for participating in the Monterey Bay Community Power regional project; and funding to Social Services to continue programs that serve homeless populations.

In recommending augmentations, the County Administrative Office utilized available growth in discretionary revenue and operating reserves (to fund appropriate one-time needs) within the context of a structurally balanced budget. However, there remains many unfunded needs due to the extent of departmental cost pressures and the limited growth in revenue to address those pressures. Unfunded staffing needs include: five filled positions in the RMA due to a decline in project revenue, increased labor costs, and higher cost plan charges; seven filled positions in the Office for Employment Training (OET) due to federal grant funding reductions; and four filled positions in the County Administrative Office due to increased labor costs and higher cost plan charges. Other unfunded needs include: loss of 46 vacant positions across ten departments due to rising cost pressures; most new position requests; additional funding requests to address fire and storm related repairs; and funding to expand the pilot project for the uninsured.

Staff proposes to return to the Board in the first quarter of next fiscal year to provide estimates on new revenue sources including the commercial cannabis tax, and transportation funding provided by Senate Bill No. 1 and Measure X. At that time, and to the extent additional revenue is identified, unfunded needs such as cannabis ordinance enforcement, fire and storm repairs, and transportation projects can be revisited.

Expanded details about the Recommended Budget can be found in the attached Executive Summary.

OTHER AGENCY INVOLVEMENT:

Development of the Recommended Budget is a collaborative effort between the County Administrative Office

and all County departments.

FINANCING:

This is an informational report and as such there is no fiscal impact that would result from the receipt of this report.

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Attachments: Executive Summary - FY 2017-18 Recommended Budget