



# County of Monterey

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

## Board Report

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Receive a report on the use and balance of Fiscal Year 2014-15 General Fund Operational Contingencies.

**RECOMMENDATION:**

It is recommended that the Board of Supervisors receive a report on the use and balance of Fiscal Year 2014-15 General Fund Operational Contingencies.

**SUMMARY:**

The National Advisory Council on State and Local Budgeting Practice (NACSLB) and the Governmental Finance Officers Association (GFOA) recommend that public agencies adopt a prudent level of financial resources to protect against unforeseen fiscal issues that may arise throughout the year. The Monterey County Board of Supervisors (Board) has adopted various fiscal policies toward this goal including an Operational Contingency equal to one-percent of General Fund revenue. The California State Controller's Budget Guide requires that use of such appropriated contingencies be authorized by a four-fifths vote prior to expenditure. The Recommended Budget for Fiscal Year (FY) 2014-15 included \$5,407,307 in Operational Contingencies, which was in compliance with the Board adopted policy. During the adoption of the FY 2014-15 Budget the Board found it necessary to utilize \$1,550,842 leaving an adopted operation contingency of \$3,856,465, reducing it to 0.7% of General Fund revenue. Due to the fiscal pressures being experienced throughout the County, the request for Operational Contingencies is anticipated to grow beyond the funding that is available.

**DISCUSSION:**

General Fund Operational Contingencies may be used at the discretion of and by action of the Board. These funds are intended to be utilized after all other budget sources have been examined and the use of these funds must be understood as one-time funding.

In achieving fiscal balance, the County endured four years of budget reductions and forfeited most levels of pre-recession flexibility. Fiscal challenges facing the County this year included increased cost of \$10.3 million for bargaining agreements, \$2.4 million in PERs and \$3.3 million in General Liability. The FY 2014-15 Recommended Budget was constrained by these and other fixed cost increases which limited the ability to recommend many valid departmental augmentation requests.

The FY 2014-15 Recommended Budget was presented to the Board for consideration during budget hearings on June 10, 2014 and included \$5,407,307 in Operational Contingencies. During budget hearings, the Board allocated \$1,550,842 from Operational Contingencies for requests not included in the Recommended Budget. As a result, the FY 2014-15 Adopted Budget began with \$3,856,465 in Operational Contingencies. As of July 8, 2014, the Board has allocated \$192,000 to County departments and \$500,000 to the Water Resource Agency totaling additional uses of \$692,000 bringing the current available Operational Contingency balance to \$3,164,456.

Attachment A contains a list of items currently anticipated to come before the Board in FY 2014-15 for funding. Given the growing fixed costs required to be covered by discretionary General Fund revenue and known future requests on the Operational Contingencies, the County will be unable to meet the financial needs without experiencing operational impacts or experiencing a long term deterioration of the balance sheet. In FY 2015-

16, the County will once again face increased cost of \$9.3 million in known bargaining agreements, \$2.7 million in PERs and increased costs for General Liability. Over the past two years the historical usage of Contingencies has been an average \$2,909,011 per year. Unforeseen fiscal issues have an immediate impact on Contingencies.

In recognition of the many anticipated and unanticipated needs, staff is providing the Board of Supervisors' Budget Committee and the full Board with information so that future decisions can be made with knowledge and strategic planning.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office utilized information from departments and agencies who are currently known to be seeking funding.

FINANCING:

This is an informational report and as such there is no fiscal impact that would result from the receipt of this report. It is anticipated that this report will provide the foundation for future fiscal planning to provide long term fiscal balance for the County of Monterey.

Prepared by: Veronica Fernandez, Associate Administrative Analyst, x5278

Approved by: Dewayne Woods, Assistant County Administrative Officer, x5309

Attachments: Attachment A - FY 2014-15 General Fund Contingencies Usage Summary