



# 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 (FY) 2015-16 General Fund Operational Contingencies.

**RECOMMENDATION:**

It is recommended that the Budget Committee receive a report on the use and balance of Fiscal Year (FY) 2015-16 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) 2015-16 included \$5,702,525 in Operational Contingencies, which was in compliance with the Board adopted policy. During the adoption of the FY 2015-16 Budget, the Board found it necessary to utilize \$303,174 (refer to Attachment A) leaving an adopted operation contingency of \$5,399,351, reducing it to 0.92% of General Fund revenue.

Due to the fiscal pressures being experienced throughout the County, the request for Operational Contingencies has grown beyond the funding that is available. Based on what has already been approved, committed funding and pending further action, if supported and approved, there will be no remaining budgeted funds for FY 2015-16 General Fund Contingencies (refer to Attachment A).

**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 five years of budget reductions and forfeited most levels of pre-recession flexibility. The General Fund budget has increased appropriations by \$19.8 million over the FY 2014-15 Adopted Budget; a 3.4% increase. Much of the increase reflects increases in the underlying cost of providing baseline service levels. Major cost drivers included, pay raises authorized under current MOUs, PERS retirement rate increases, increases in critical information technology infrastructure replacement, and the upgrade of the County's enterprise resource planning (ERP) system. The FY 2015-16 Adopted Budget was constrained by these and other fixed cost increases which limited the ability to recommend many valid departmental augmentation requests.

The FY 2015-16 Recommended Budget was presented to the Board for consideration during budget hearings on June 2, 2015 and included \$5,702,525 in Operational Contingencies. During budget hearings, the Board allocated \$303,174 from Operational Contingencies for requests not included in the Recommended Budget. As a result, the FY 2015-16 Adopted Budget began with \$5,399,351 in Operational Contingencies.

As of July 21, 2015, the Board has allocated or shared its intent to fund up to \$1,152,406 for County departments; and the Monterey County Water Resource Agency has informed the Board of their intent to request \$1,900,000 for the Interlake Tunnel Project estimated expenditures during October 2015-June 2016. These actions bring the current available Operational Contingency balance to \$2,346,945. There are other pending requests for consideration, which includes a \$2,400,000 request to address a Jail Settlement.

Attachment A contains a list of items that have currently gone before the Board or are anticipated to come before the Board in FY 2015-16 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. 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 information deemed appropriate to assist the Budget Committee strategic planning decisions.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office utilized current departments and agencies' known fund seeking information.

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 submitted for fiscal strategic planning purposes to meet service requirements and long-term fiscal balance.

Prepared by:

Approved by:

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Attachments: Attachment A - FY 2015-16 General Fund Contingencies Usage Summary