



Board Report

File #: 20-244, **Version:** 1

- a. Direct County Departments to immediately implement a non-essential expenditure freeze including a hiring freeze of non-essential classifications; and
- b. Provide authority for the County Administrative Officer (CAO) to delegate to Department Heads as necessary, implementation and management of non-essential expenditure freeze including freezing non-essential hiring.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Direct County Departments to immediately implement a non-essential expenditure freeze including a hiring freeze of non-essential classifications; and
- b. Provide authority for the County Administrative Officer (CAO) to delegate to Department Heads as necessary, implementation and management of non-essential expenditure freeze including freezing non-essential hiring.

SUMMARY/DISCUSSION:

On March 3, 2020, the County Administrative Office (CAO) presented the countywide financial forecast to the Board of Supervisors (Board). The forecast indicated moderate growth in discretionary revenues. However, revenue growth is not projected to be able to keep up with the increased costs of doing business. Sharply rising pension contributions, increased employee health insurance costs, higher workers' compensation and general liability program expenditures, and formulaic increases in general fund contributions lead to an estimated funding gap of \$20 million next fiscal year, growing to \$40 million by FY 2022-23.

Since the forecast was presented, departments have submitted their requested budgets for next fiscal year, including initial "baseline" plans for operations understanding that increased County contributions are not available. Preliminary results of these baseline budgets will be presented to the Board on April 7, 2020.

In addition to the gaps identified in the forecast, it is anticipated substantial revenue gaps will develop due to the COVID-19 pandemic. Specifically, County discretionary revenue estimates which were used to build the baseline budgets will require reevaluation. Early estimates indicate discretionary revenue could be negatively affected in excess of \$5 million in the current fiscal year and reductions could range from \$7 to \$20 million in FY 2020-21. With this added reduction in revenue the County Administrative Office recommends the Board implements the following actions:

- 1) A hiring freeze of non-essential classifications
- 2) Elimination of non-essential purchases
- 3) A freeze of all non-essential travel and training
- 4) A freeze of all non-essential capital and equipment purchases

If these actions are approved, each Department will be directed self-implement and self-monitor by establishing processes within their own departments and report to the County Administrative Office the measures they have implemented to comply with this Board action. If the County Administrative Officer (CAO) determines the decentralized implementation of the Board actions must be centralized, he will have the authority to make this

change. The County Administrative Officer will provide updates to the Board on cost reductions achieved as a result of these actions.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has reviewed this report.

FINANCING:

Implementation of this action could generate significant cost reductions which will provide financial flexibility in dealing both with the projected deficit.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The County of Monterey, under the Board's direction promotes an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency. An important objective of this strategic initiative is achieving a balanced budget that sustains core services and efficiently allocates resources. Actions in this report help fulfill this objective.

☐ Economic Development
☒ Administration
☐ Health & Human Services
☐ Infrastructure
☐ Public Safety

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Attachments: Attachment A - Three-Year Forecast Summary