



County of Monterey

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

Board Report

File #: 20-239, **Version:** 1

Receive the FY 2020-21 Board of Supervisors' Budget Workshop Presentation.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive an update on budget development as part of the Board of Supervisors' FY 2020-21 Budget Workshop;
- b. Receive an update on the County's General Financial Policies; and
- c. Provide direction to staff.

SUMMARY/DISCUSSION:

On March 3, 2020, the County Administrative Office (CAO) presented the countywide financial forecast to the Board of Supervisors (Board). The forecast indicates continued growth in discretionary revenues. However, revenue growth is not enough to keep up with 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 subsidies lead to an estimated funding gap of \$20 million next fiscal year, growing to \$40 million by FY 2022-23.

Since the forecast, departments have submitted their requested budgets for next fiscal year, including initial "baseline" plans of operations if increased County contributions are not available. Staff in the County Administrative Office are analyzing the requested budgets to better understand each department's operational needs and implications to services. These preliminary baseline budgets identify staffing-related funding gaps for continuing 119.75 positions, including 46.75 filled positions and 73 vacancies.

Departments submitted augmentation requests totaling \$43.6 million to address funding gaps and, in some cases, to add new staff or enhance programs. The augmentations include: \$6.4 million to keep filled staff; \$3.5 million to preserve vacancies; \$4 million to support current non-personnel operating costs (trial expenses, building maintenance, etc.); \$15.2 million for expansion of services; \$3.1 million for 38 new positions; \$6.9 million for capital spending; and \$4.5 million for contributions to other funds (\$540,282 to General Fund, \$3.5 for Capital Facility Master Projects, and \$500,000 for the Parks Lake & Resorts Operations).

As indicated during the March 3, 2020 Board of Supervisors' meeting, all ongoing discretionary revenue has been allocated to departments so there is no ongoing revenue to fund these requests. In addition, due to the current pandemic, discretionary revenues such as Transient Occupancy Tax (TOT) and Sales Tax will likely be affected in the short term, further reducing the overall available revenue to fund ongoing services. More details about potential revenue reductions will be presented during the April 7, 2020 Board workshop.

During the April 7, 2020, Board budget workshop, the Board will receive information and perspectives on the developing budget for next fiscal year, including presentations from Department Heads. Direction provided in the workshop will be incorporated into the Recommended Budget scheduled to be presented for consideration during the annual budget hearings commencing on June 1, 2020.

Update to the General Financial Policies

The Government Finance Officers Association (GFOA) recommends as a best practice that governing bodies maintain financial policies for annual budget development and financial oversight. This year's update to the financial policies includes minor revisions throughout to make the document more consistent.

OTHER AGENCY INVOLVEMENT:

Development of the Recommended Budget is a collaborative effort between the County Administrative Office and all County departments, with overall direction provided by the Board of Supervisors. This workshop was preceded by a budget workshop with Department Heads on March 27, 2020.

FINANCING:

Receipt of this report does not specifically impact the budget. However, feedback received in the workshop will help shape the overall approach in developing the budget for next fiscal year.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The budget workshop supports the Board's strategic initiative to promote 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. The annual budget workshop helps fulfill this objective.

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

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Attachments: FY 2020-21 General Financial Policies