



FY 2022-23 Budget End of Year Report

Budget Committee

NOVEMBER 29, 2023

COUNTY ADMINISTRATIVE OFFICE



FY 2022-23 Budget End of Year Report

Recommendations

1. Receive and accept the Budget End-of-Year Report for FY 2022-23 from the County Administrative Office.
2. Support authorizing the County Administrative Office and Auditor-Controller to make the following fund balance designations and fund balance changes in Advantage, respectively, in FY 2023-24 based on FY 2022-23 operating results:
 - a. Designate \$587,064 to the Revenue Stabilization Assignment (BSA 001-3128) from unassigned fund balance (BSA 001-3101) funded from surplus Proposition 172 revenue.
 - b. Designate \$264,916 to the General Capital Assignment (BSA 001-3065) from unassigned fund balance (BSA 001-3101) for future Agricultural Commissioner capital project outlay.
 - c. Designate \$150,000 to the General Capital Assignment, Elections (BSA 001-3065) from unassigned fund balance (BSA 001-3101) for future elections capital equipment outlay.



FY 2022-23 End of Year Results*

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Unassigned Fund Balance (FY 2022-23)	\$ 6.6	\$ 22.6	\$ 4.0
Cancellation - Restricted Fund Balance	7.6	9.6	7.3
Cancellation - Assigned Fund Balance	43.8	114.9	107.7
Revenues	793.4	815.9	798.2
Total Financing Sources	\$ 851.3	\$ 963.0	\$ 917.2
Financing Uses:			
Addition - Restricted Fund Balance	\$ -	\$ -	\$ 6.2
Addition - Strategic Reserve	-	-	36.5
Addition - Assigned Fund Balance ¹	-	-	57.2
Expenditures	851.3	952.3	856.0
Total Financing Uses	\$ 851.3	\$ 952.3	\$ 956.0
Unassigned Fund Balance:	\$ -	\$ 75.3	\$ 13.3
Obligated in FY 2023-24 Adopted Budget	\$ -	\$ -	\$ -
Unobligated Unassigned Fund Balance:	\$ -	\$ -	\$ 13.3
Dollars shown in millions. Numbers may not total due to rounding.			
¹ Includes recommended designations to fund balance assignments.			

The County is recovering from the financial challenges posed by winter storms, which required the use of \$52.1 million in strategic reserve

Unassigned fund balance of \$13.3 million

Added \$433,510 to contingency assignment to maintain Board policy target

Replenished strategic reserve by \$36.5 million to 76% of Board policy target (this is \$19.9 million below the 10% goal)

*Unaudited Results



General Fund Revenue Trend

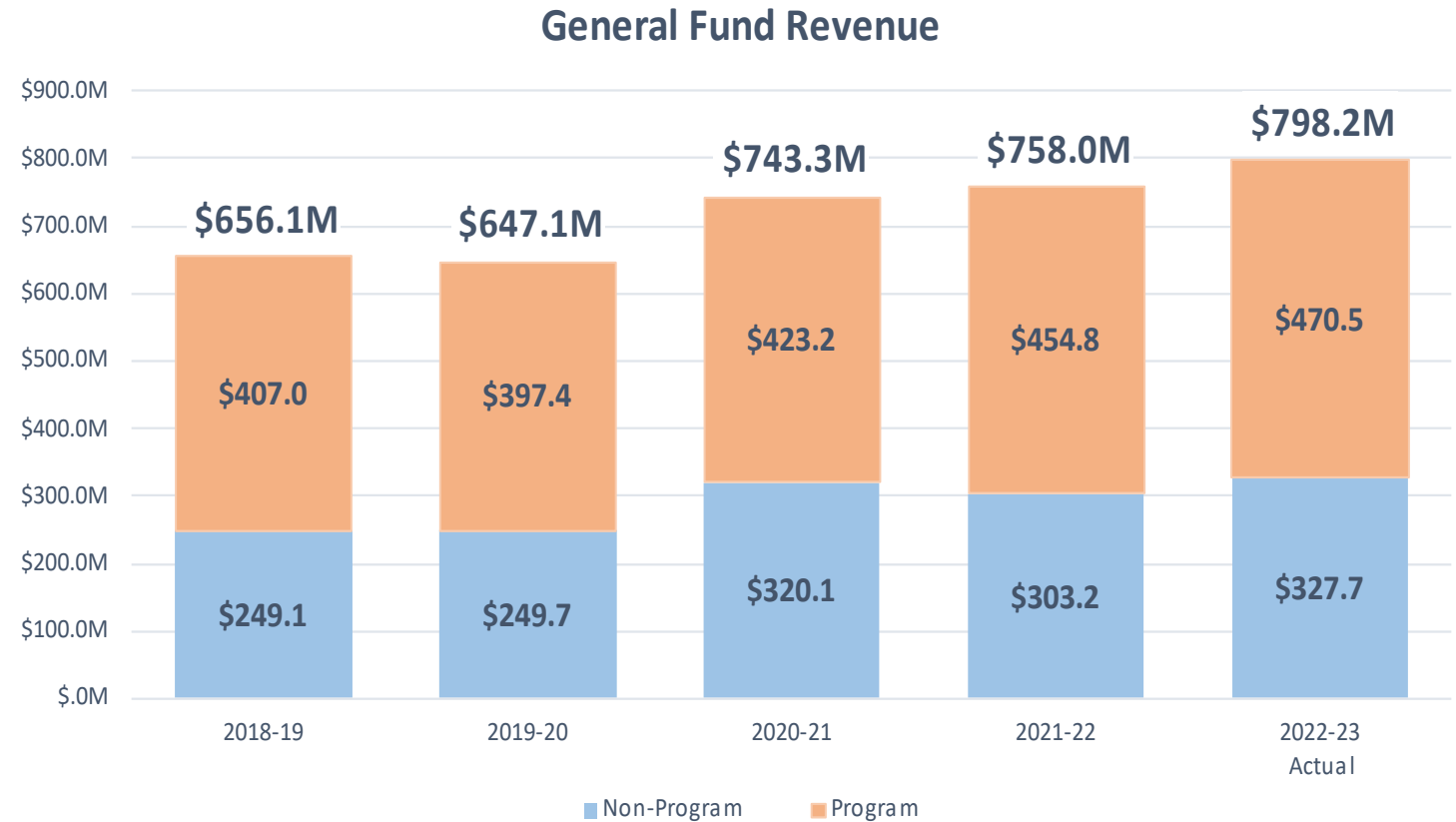
Revenues increased \$40.2 million compared to the prior year

Discretionary revenue grew \$24.5 million from prior year

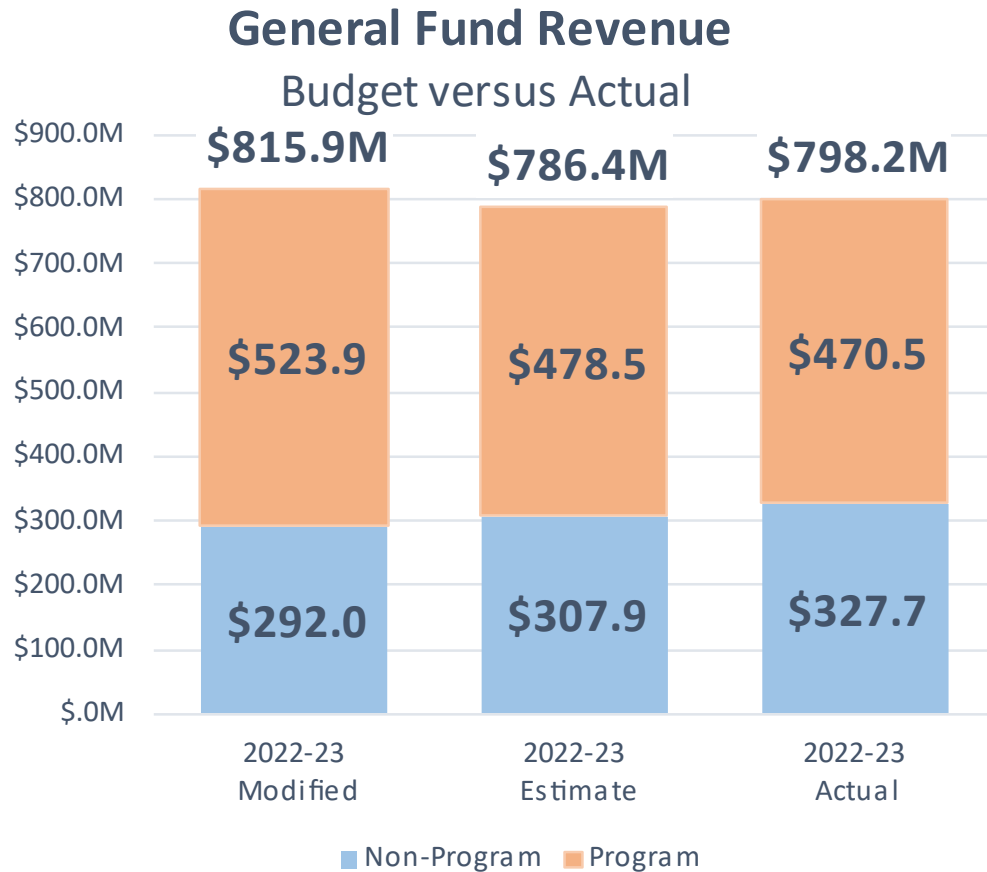
- Property taxes \$17.0 million higher than the previous year

Program revenue grew \$15.7 million compared to the prior year

- Higher aid for CalWorks, aging and guardianships



Revenue Performance FY 2022-23



Revenues were \$17.7 million below budget

Discretionary revenue performed well

- Property taxes \$9.6 million higher than budget
- Transient occupancy tax (TOT) exceeded the budget by \$10.2 million, but were lower than the prior year
- Investment income was \$5 million over budget
- State provided \$9.4 million for winter storm response

Program revenue \$53.5 million below budget

- Vacancies in revenue generating positions
- Federal revenue not received during the accrual period

Discretionary Non-Program Revenue (1)

Non-Program Revenue by Source

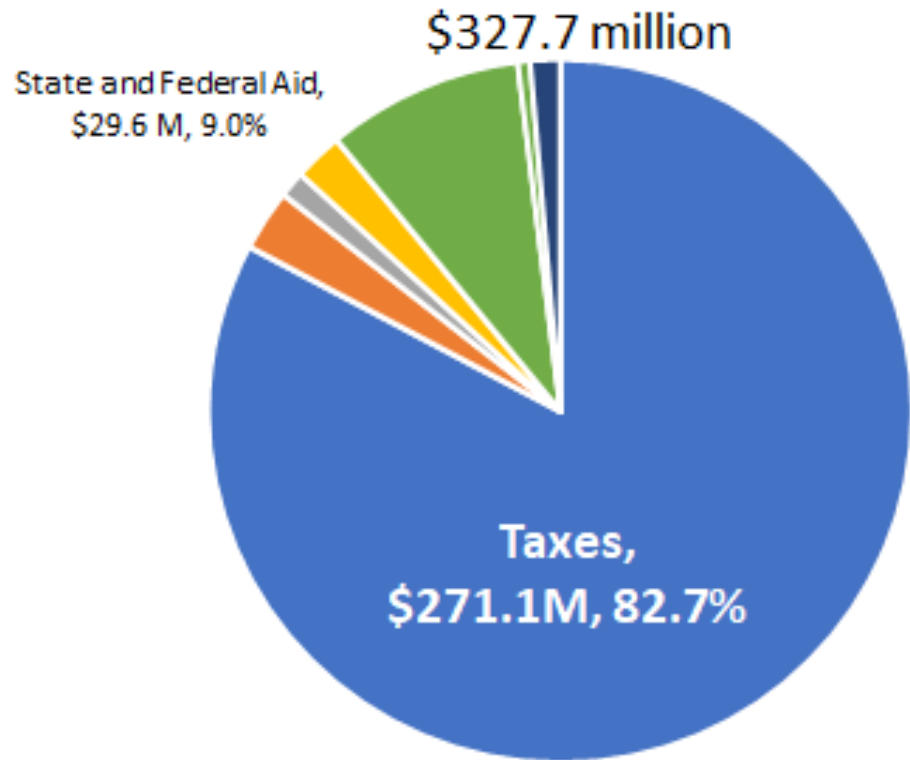
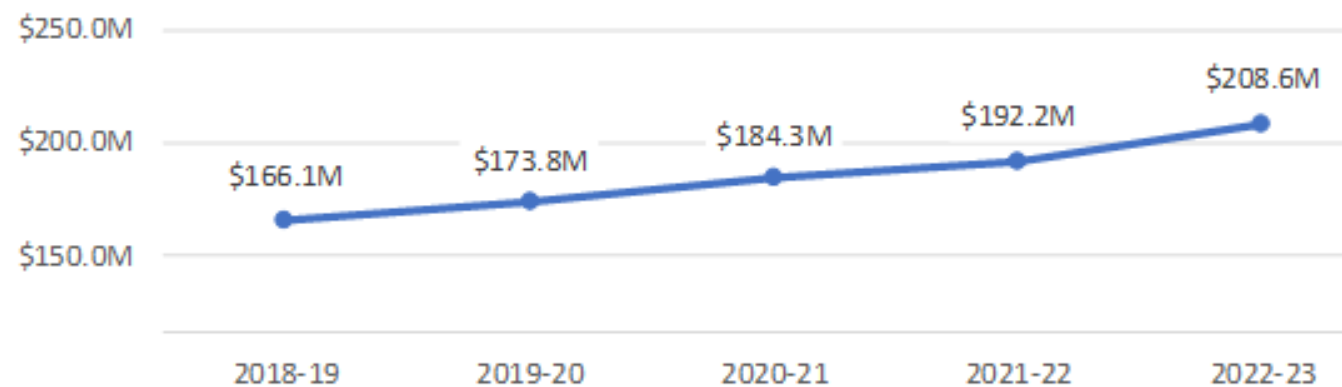


Figure 2: Other revenue sources in the chart: Licenses, Permits & Franchises (2.8%), Revenue from Use of Money and Property (2.3%), Miscellaneous Revenues (1.4%), Fines, Forfeitures & Penalties (1.2%), and Charges for Services (0.6%).

Majority of discretionary revenues are derived from property taxes

While property values and taxes continued to grow (\$16.4 million from prior year), real estate transactions have slowed down dramatically in response to higher interest rates

Property Tax Revenue



Discretionary Non-Program Revenue (2)

TOT and Cannabis revenues declined

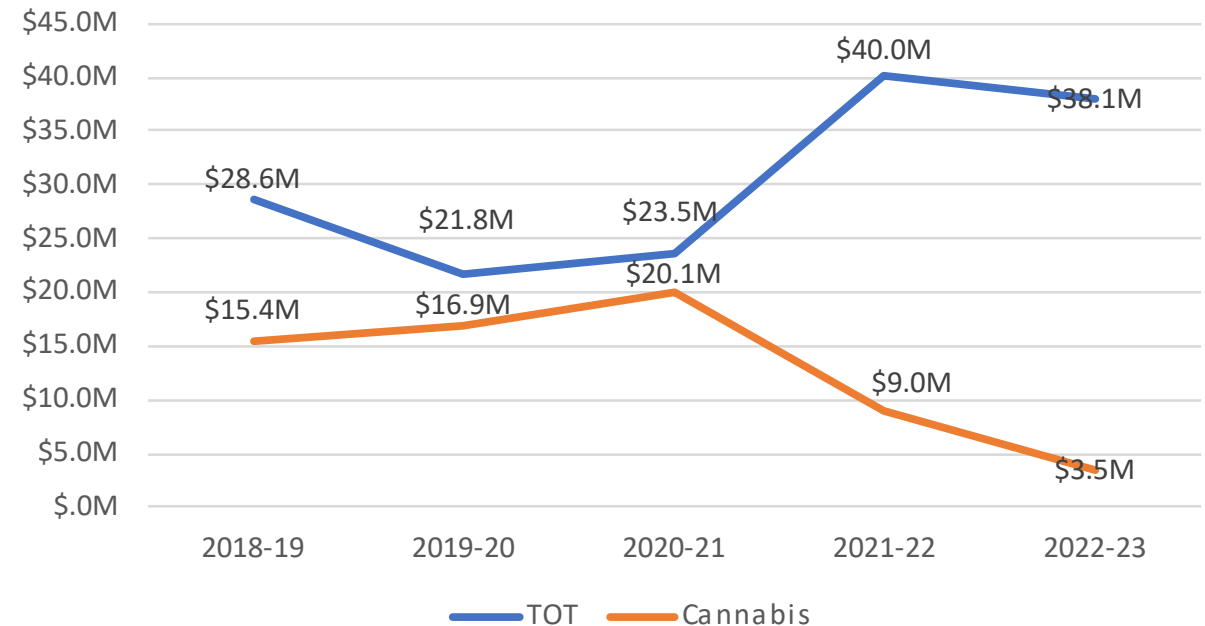
TOT exceeded historic levels by \$10 million, but declined \$2 million from a record high last year

- Targets are unlikely to be met

Cannabis continued a drastic decline

- Industry severely impacted by cost pressures
- Board adopted lower tax rate in response
- Revenues mostly fund program expenses
- Only \$1.9 million remains in assignment

TOT & Cannabis Tax Revenue



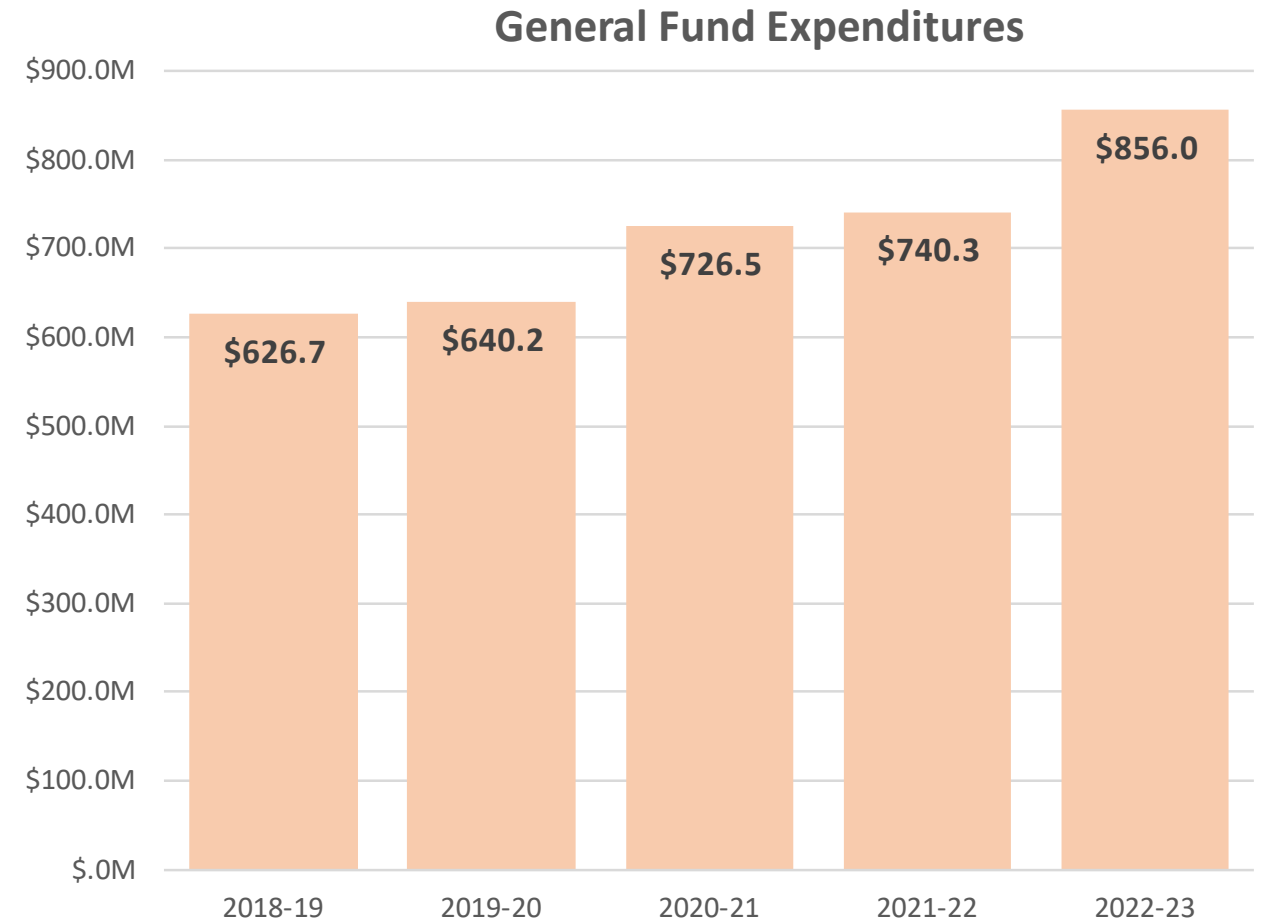
General Fund Expenditure Trend

Expenditures increased \$115.7 million compared to the prior year

Trend continues unsustainable rate of growth

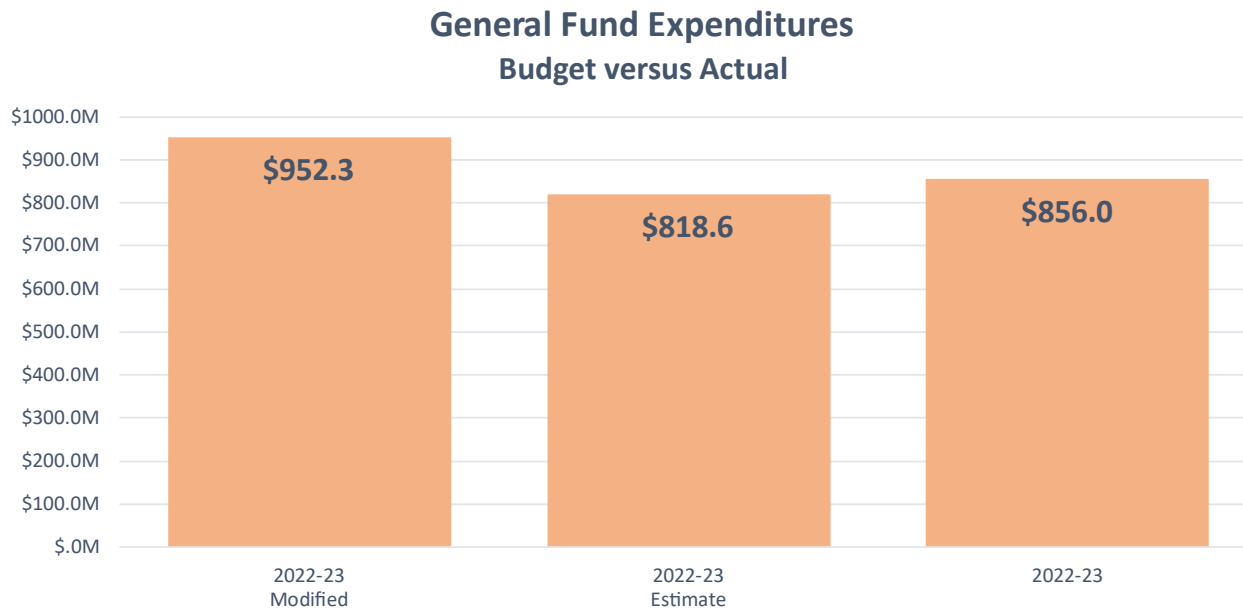
Major areas that increased year over year:

- \$78.3 million in transfers to other funds
 - Unfunded pension liabilities
 - Winter storm repairs
- \$39.9 million in salaries and benefits
 - Adopted FTEs increased by 141.5



General Fund Expenditures

Expenditures were lower than budget by \$96.3 million, mostly due to vacancies



Departments with highest vacancy and related program savings:

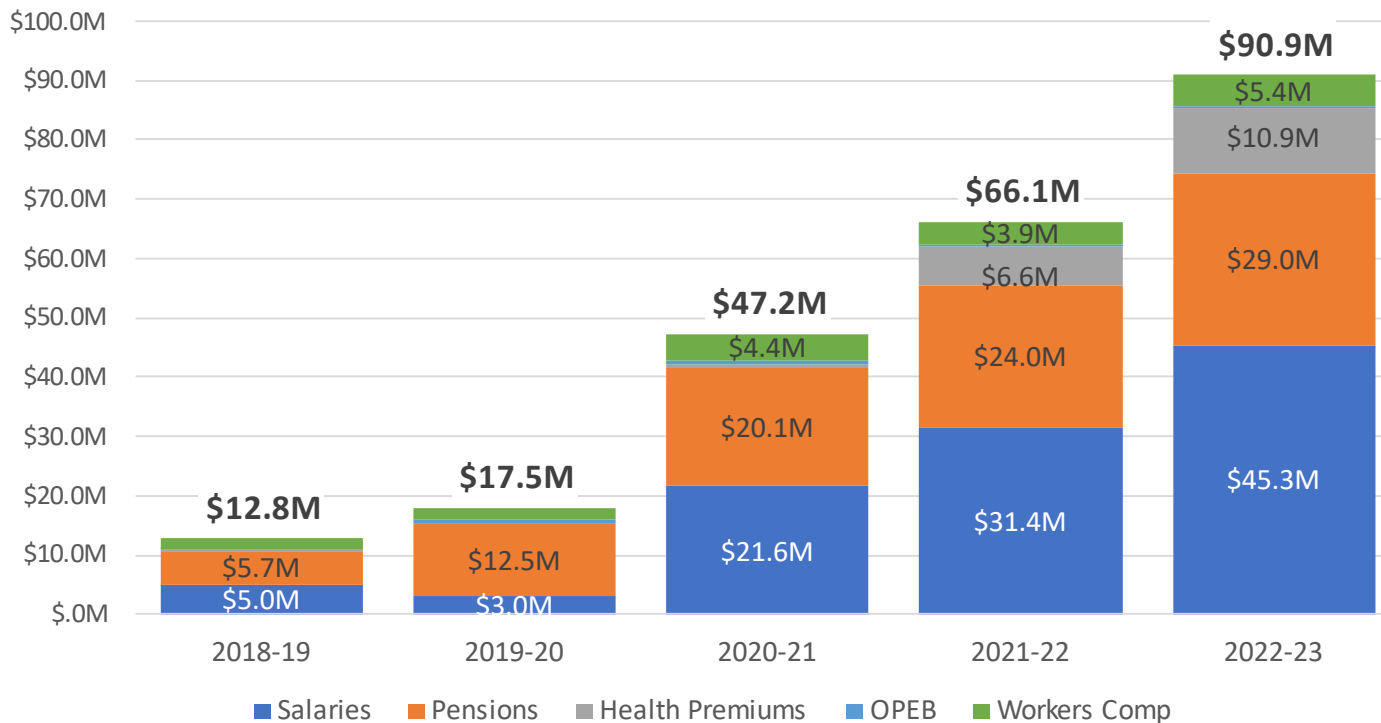
- \$35.8 million Health
- \$21.9 million Social Services
- \$4.8 million Probation
- \$3.5 million District Attorney

Other significant unspent appropriations:

- \$8.2 million in Strategic Reserve funds due to storm remediation project delays

General Fund Cost Drivers

General Fund Cost Drivers - Cumulative



Over the past five years, major cost drivers have grown \$90.9 million on a cumulative basis

Major cost drivers increased \$24.8 million in the past year alone

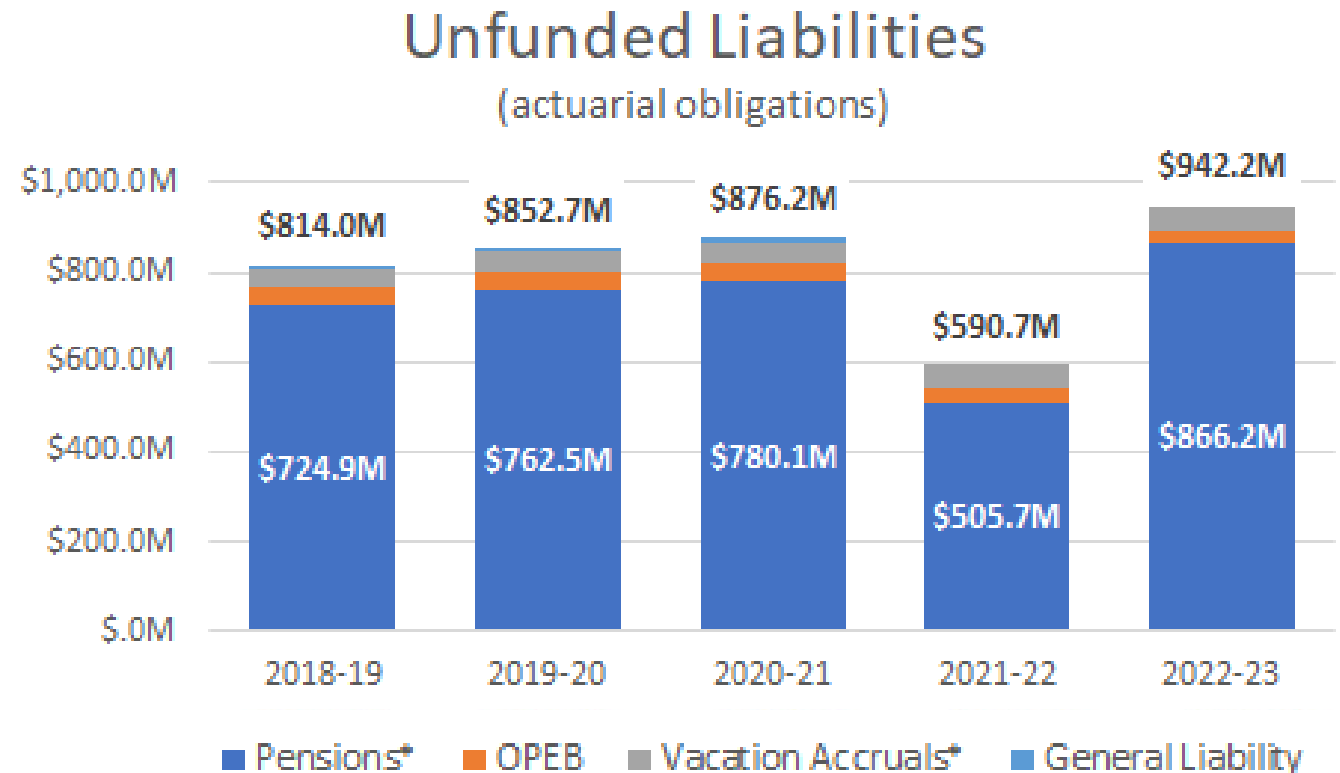
- \$13.9 million in salaries
- \$4.9 million pension contributions
- \$2.7 million healthcare premiums
- \$1.5 million workers' compensation

Unfunded Liabilities

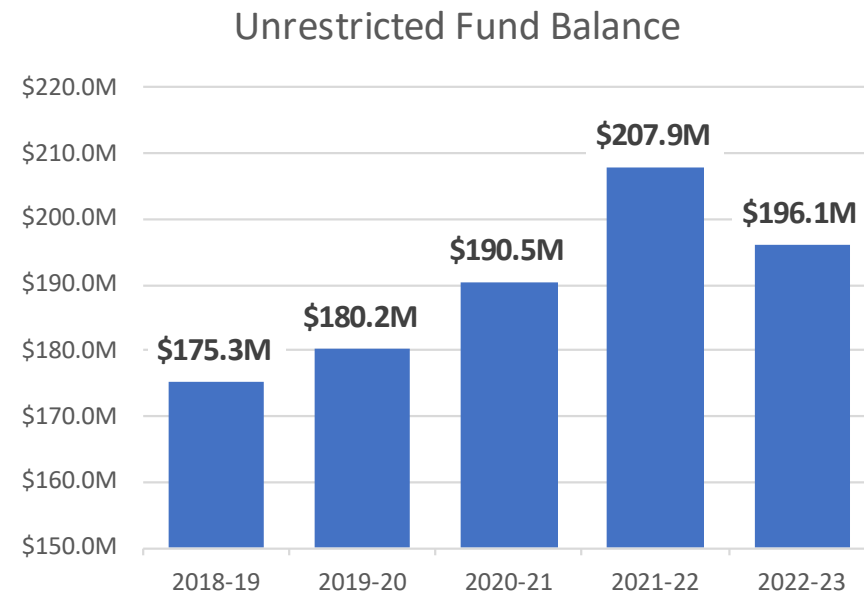
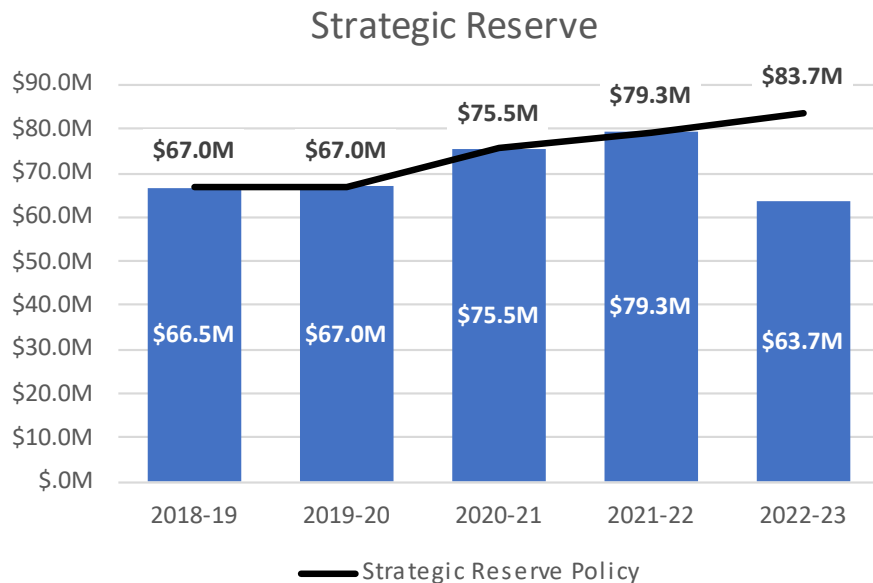
Actuarial obligations grew by \$351.5 million overall

Unfunded employee pension benefits are the largest liability at \$947.5 million

- Increase of \$360.6 million
- Offset by \$81.3 million in 115 pension trust fund
- CalPERS investment return -6.1%
- Impacts of lower discount rate on unfunded liability to continue FY25
- The discount rate was lowered to 6.8% in 2021 and remains at that level



Fund Balance and Strategic Reserve



The Strategic Reserve declined by \$15.6 million due to \$52.1 million needed to recover from winter storms, but was replenished by \$36.5 million after the end of a favorable fiscal year. This amount represents 7.6% of general fund estimated revenues compared to the Board's policy target of 10%.

Unrestricted fund balance, of which the strategic reserve is a component, likewise declined, by \$11.8 million, but is still higher than in FY21 due to sound financial policies and practices and prudent financial management.



Departmental Performance

Overall favorable General Fund performance

- Eighteen departments ended the year with positive results
- Four exceeded their budgeted General Fund Contribution (GFC)
- The combined surpluses and deficits resulted in an overall \$27.5 million GFC savings

Other major funds

- Road, Library, Emergency Communications, Natividad Medical Center, and Lakes Resorts increased their fund balance
- Behavioral Health and Laguna Seca ended the year with a reduced fund balance

General Fund Departments	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to Adjusted Actual
Agricultural Commissioner	\$4,715,700	4,425,592	3,744,215	\$681,377	\$971,485
Assessor-County Clerk-Rec.	5,672,511	7,021,612	6,548,541	473,071	(876,030)
Auditor-Controller (Departmental)	1,203,292	865,533	479,859	385,674	721,163
Board of Supervisors	4,795,331	4,692,219	4,790,190	(97,971)	5,141
Child Support Services	84,216	82,189	65,469	16,720	18,747
Civil Rights Office	381,261	313,144	277,216	35,928	98,288
Clerk of the Board	1,141,754	1,039,273	978,052	61,221	163,702
Cooperative Extension Service	523,772	467,209	513,333	(46,124)	10,439
County Admin Office (Departmental)	16,601,913	8,940,011	14,513,940	(5,573,929)	2,087,973
County Counsel	1,359,120	1,014,378	272,307	742,071	1,086,813
District Attorney	20,667,266	21,205,498	20,894,667	310,831	(452,538)
Elections	3,943,908	3,938,085	3,057,472	880,613	886,436
Housing and Community Development	11,001,974	8,845,264	6,970,011	1,875,253	4,031,963
Health	20,596,891	23,500,374	16,539,683	6,960,691	(182,819)
Human Resources	1,470,406	1,124,517	908,413	216,104	561,993
Information Technology	(349,454)	(1,602,236)	(4,746,979)	3,144,743	1,358,154
Probation	26,963,461	26,957,825	26,639,043	318,782	324,416
Public Defender	15,558,833	15,547,232	15,474,010	73,222	(126,803)
Public Works, Facilities & Parks	26,870,652	15,692,181	17,405,239	(1,713,058)	9,465,413
Sheriff-Coroner	98,640,864	98,528,878	98,087,919	440,959	272,779
Social Services	25,982,532	25,236,055	16,612,150	8,623,905	7,024,931
Treasurer-Tax Collector	2,062,948	1,765,652	1,670,397	95,255	392,551
General Fund Department Totals ¹	\$289,889,151	\$269,600,485	\$251,695,148	\$17,905,337	\$27,844,196

¹ Excludes countywide, non-operational functions including: the appropriations for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service; memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management, and the County's non-program (i.e. discretionary) revenue.



ARPA Expenditure Summary (1)

General Fund								
Department	Spent			Allocated*	Variance	Budgeted	Allocated	Total
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	Allocated All Years
Agricultural Commissioner	\$ -	\$ 222,353						\$ 222,353
Assessor-Clerk Recorder						\$ 545,159		\$ 545,159
Auditor-Controller	\$ -	\$ 167,200	\$ 356,590	\$ 356,590	\$ -			\$ 523,790
Board of Supervisors	\$ -	\$ -	\$ 234,506	\$ 234,506	\$ -			\$ 234,506
Civil Rights	\$ -	\$ 50,799	\$ 199,010	\$ 204,767	\$ 5,757	\$ 38,294		\$ 288,103
Clerk of the Board	\$ -	\$ -	\$ 102,727	\$ 102,727	\$ (0)			\$ 102,727
Cooperative Extension						\$ 40,118		\$ 40,118
County Administrative Office	\$ 4,989,651	\$ 2,669,030	\$ 2,605,688	\$ 3,668,762	\$ 1,063,074	\$ 2,667,864	\$ 800,000	\$ 13,732,234
County Administrative Office EOC	\$ 747,169	\$ (747,169)	\$ -	\$ 100,000	\$ 100,000	\$ 100,000		\$ 100,000
County Counsel	\$ -	\$ 107,494	\$ 517,710	\$ 517,710	\$ -			\$ 625,204
Emergency Management						\$ 95,000		\$ 95,000
District Attorney	\$ -	\$ 237,000	\$ 1,687,964	\$ 1,687,964	\$ -	\$ 100,325		\$ 2,025,289
Elections						\$ 1,460,659		\$ 1,460,659
Health	\$ 2,045,677	\$ 6,329,477	\$ 1,955,732	\$ 3,307,419	\$ 1,351,687	\$ 749,148	\$ 77,973	\$ 11,158,007
Housing & Community Development	\$ -	\$ 934,112	\$ 520,000	\$ 520,000	\$ -	\$ 320,906		\$ 1,775,018
Human Resources	\$ -	\$ 349,545	\$ 652,660	\$ 652,659	\$ (1)	\$ 50,000		\$ 1,052,204
Information Technology	\$ -		\$ 1,395,901	\$ 3,295,901	\$ 1,900,000	\$ 4,095,333		\$ 5,491,234
Probation	\$ -	\$ 371,012	\$ 12,558	\$ 12,560	\$ 2	\$ 136,182		\$ 519,752
Public Defender	\$ -	\$ 504,002	\$ 559,549	\$ 559,549	\$ -	\$ 292,970		\$ 1,356,521
Public Works, Facilities & Parks	\$ 424,720	\$ 3,400,726	\$ 1,414,394	\$ 1,414,394	\$ -	\$ 1,523,102		\$ 6,762,943
Sheriff-Coroner	\$ 504,038	\$ 2,906,798	\$ 3,812,723	\$ 3,812,723	\$ -	\$ 3,380,255		\$ 10,603,814
Social Services	\$ 256,989	\$ 223,822	\$ 1,518,629	\$ 2,062,293	\$ 543,664	\$ 2,114,659		\$ 4,114,099
Social Services (storm- general asst)			\$ 25,575	\$ 250,000	\$ 224,425			\$ 25,575
Treasurer Tax Collector	\$ -	\$ 61,810		\$ -	\$ -	\$ 38,203		\$ 100,013
Totals General Fund	\$ 8,968,245	\$ 17,788,011	\$ 17,571,916	\$ 22,760,524	\$ 5,188,608	\$ 17,748,177	\$ 877,973	\$ 62,954,322



ARPA Expenditure Summary (2)

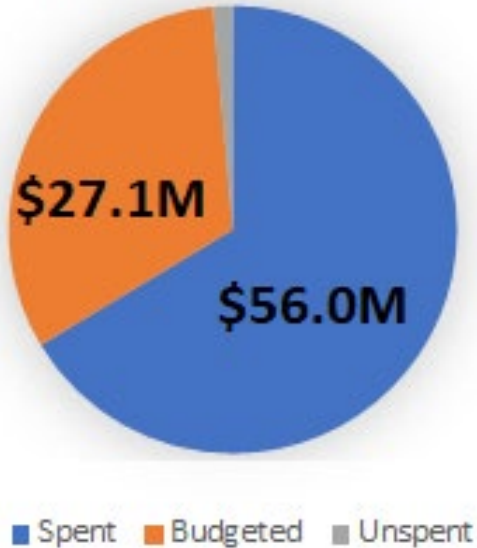
Other Funds								
	Spent			Allocated	Variance	Allocated	Allocated	Total Allocated
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	All Years
Emergency Communications	\$ -	\$ 278,046			\$ -			\$ 278,046
Public Works - Carmel Lagoon		\$ 96,867	\$ 110,583	\$ 160,027	\$ 49,444	\$ 49,444		\$ 256,894
Public Works - prop 68		\$ -	\$ 63,001	\$ 157,848	\$ 94,847	\$ 94,857		\$ 157,858
Public Works - Road Fund	\$ -	\$ 110,000			\$ -			\$ 110,000
Public Works - Boronda CSD	\$ -	\$ 38,993			\$ -			\$ 38,993
Public Works - San Jerardo CSD	\$ -	\$ 35,159	\$ 131,341	\$ 131,341	\$ -			\$ 166,500
Public Works - Pajaro CSD	\$ -	\$ -	\$ 1,178,797	\$ 1,178,797	\$ -	\$ 1,160,163		\$ 2,338,960
Public Works - Capital Projects	\$ -	\$ 1,655,119	\$ 7,024,104	\$ 7,565,866	\$ 541,762	\$ 7,208,384	\$ -	\$ 15,887,607
Public Works - Health HVAC	\$ -	\$ -	\$ 22,346					
Workforce Development Board	\$ 745,342	\$ 145,425		\$ -	\$ -			\$ 890,766
Totals Other Funds	\$ 745,342	\$ 2,359,609	\$ 8,530,173	\$ 9,193,879	\$ 686,052	\$ 8,512,848	\$ -	\$ 20,125,625

Of the County's original ARPA allocation of \$84.3 million, \$26.1 million was used in FY 2022-23, including \$17.6 million by the General Fund and \$8.5 million by other funds. Another \$26.3 million has been allocated in FY 2023-24. Only \$1.2 million remains unobligated for the Board's direction. Several departments have expressed interest in additional funding that exceeds the available amount.

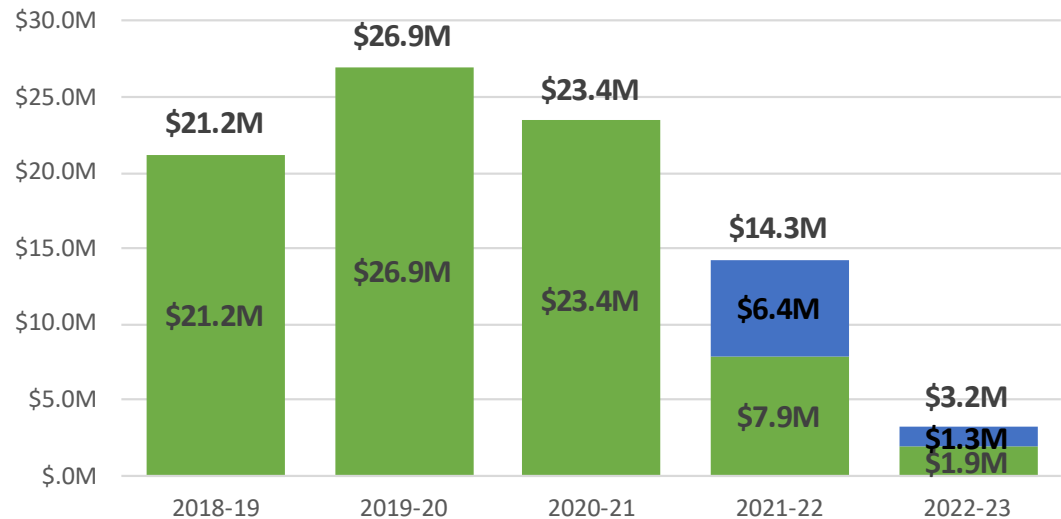


Looking Ahead - Challenges

ARPA Allocation



Cannabis Tax Assignment



Throughout the pandemic and inflationary environment, the County was able to sustain service levels due to the Board’s prudent financial policies and management, as well as unprecedented levels of federal aid and revenues like cannabis and TOT. However, these revenues are now exhausted; and the State anticipates ongoing revenues to decline with a recession looming as a result of the Federal Reserve’s efforts to mitigate inflation. At the same time, these pressures have impacted recruitment and wages, affecting County operations. Early estimates indicate insufficient discretionary revenue growth and increased labor costs will create a budgetary gap of \$12.3 million in FY24 and \$36.9 million in FY25.



Looking Ahead – Capital Needs

The County has many capital needs and new requests for potential debt issuance have been received or are on the horizon. Attachment B to the BEYR report has details about currently known needs. Public Works, Facilities and Parks will work with departments to update known capital needs and with the CAO's office to incorporate the CIP plan into the budget process.

- To better address these needs, a comprehensive view of capital needs must be taken in conjunction with a review of the County's ability to issue debt
 - Ability to make debt service payments
 - Special revenue funds
 - Enterprise funds
 - Governmental Funds
 - General Fund – where discretionary revenue would be redirected from ongoing programs to pay for debt service

Row Labels	Sum of Total Funded	Projects Total Unfunded
First Year - Funded	\$ 69,829,337	\$ 204,546,194
First Year – Unfunded	\$ 6,161,950	\$ 104,858,338
Future Year - Fully Funded	\$ 3,400,000	\$ -
Future Year - Unfunded	\$ 1,056,000	\$ 509,599,587
Grand Total	\$ 80,447,287	\$ 819,004,119



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