



County of Monterey

Item No.5

Board Report

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

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November 25, 2024

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Matter Type: Budget Committee

- a. Receive and accept the Budget End-of-Year Report for FY 2023-24; and
- b. Support authorizing the County Administrative Office and Auditor-Controller to make fund balance designations in FY 2024-25 as specified in Attachment A.

RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Receive and accept the Budget End-of-Year Report for FY 2023-24; and
- b. Support authorizing the County Administrative Office and Auditor-Controller to make fund balance designations in FY 2024-25 as specified in Attachment A.

SUMMARY:

The Budget End-of-Year Report (BEYR) prepared by the County Administrative Office (CAO) Budget Team, in collaboration with offices/departments, evaluates the year-end fiscal performance compared to the budget, as adopted and modified by the Board of Supervisors. The year-end closing adjustments overseen by the Auditor-Controller. Financial data analyzed in the BEYR is unaudited and subject to final adjustments. The BEYR begins with an analysis of the countywide performance of the General Fund, followed by an analysis of the financial performance of departments and other funds.

The General Fund year end results were favorable, with expenditures of \$824.8 million, revenues of \$825.5 million, and cancellation of assigned and restricted funds of \$40.3 million. The strong performance of discretionary revenue and prudent financial management by offices/departments allowed the County to partially replenish its Strategic Reserves to 6.6% compared to the 10% of FY 2024-25 adopted General Fund revenues goal set by County ordinance. The BEYR includes recommendations by the CAO to increase fund balance assignments for approved capital projects. The surplus and the fund balance designations recommended by the CAO are aligned to the County's conservative management culture and the continuous monitoring of its finances with oversight of the Board and its Budget Committee.

DISCUSSION:

The General Fund ended FY 2023-24 with revenues of \$825.5 million and expenditures of \$824.8 million. Key outcomes include:

- Strong discretionary revenue performance, with property taxes \$5.8 million higher than budget due to increasing real estate values.
- Conversely, program revenue was \$63.7 million below the final modified budget primarily due to federal and state revenue not received during the accrual period, lower fees for services, reduced reimbursable personnel costs for public safety realignment programs, personnel vacancies from

recruitment and retention challenges, and lower caseloads in revenue-generating positions in public health and social service programs compared to recent pandemic years.

- Year-end expenditures were \$83.3 million below the final modified budget primarily due to salary and benefits savings from vacant positions and lower-than-planned contracted services.
- Eighteen departments ended the fiscal year with a General Fund Contribution (GFC) surplus, while four departments had a deficit, for an overall GFC savings of \$12.8 million.

Final year-end results are subject to audit and will be published by the Auditor-Controller later this fiscal year in the Annual Comprehensive Financial Report. Details of the preliminary results are in the attached BEYR.

However, revenue growth is not projected to be able to keep up with the increased costs of doing business. Sharply rising base level wages, pension contributions, increased employee health insurance costs, higher workers' compensation and general liability program expenditures will outpace revenues.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office works with offices/departments throughout the fiscal year to maintain an understanding of budget-related conditions and emerging issues.

FINANCING:

The BEYR provides analysis and perspective on the condition of the General Fund and other major County funds. There is no cost associated with the receipt of this report. The recommended designations of fund balance in FY 2024-25 will decrease the General Fund's unassigned fund balance and cannabis assignment as indicated in the BEYR.

Prepared by: Bella Lesik, Administrative Analyst, ext. 6767

Approved by: Ezequiel Vega, Assistant County Administrative Officer, ext. 3078

Attachments: Attachment A - Summary of Recommendations; Attachment B - Budget End-of-Year Report - FY 2023-24