



# County of Monterey Three Year Forecast

Budget Committee  
Meeting

March 17, 2025

# Discussion Items

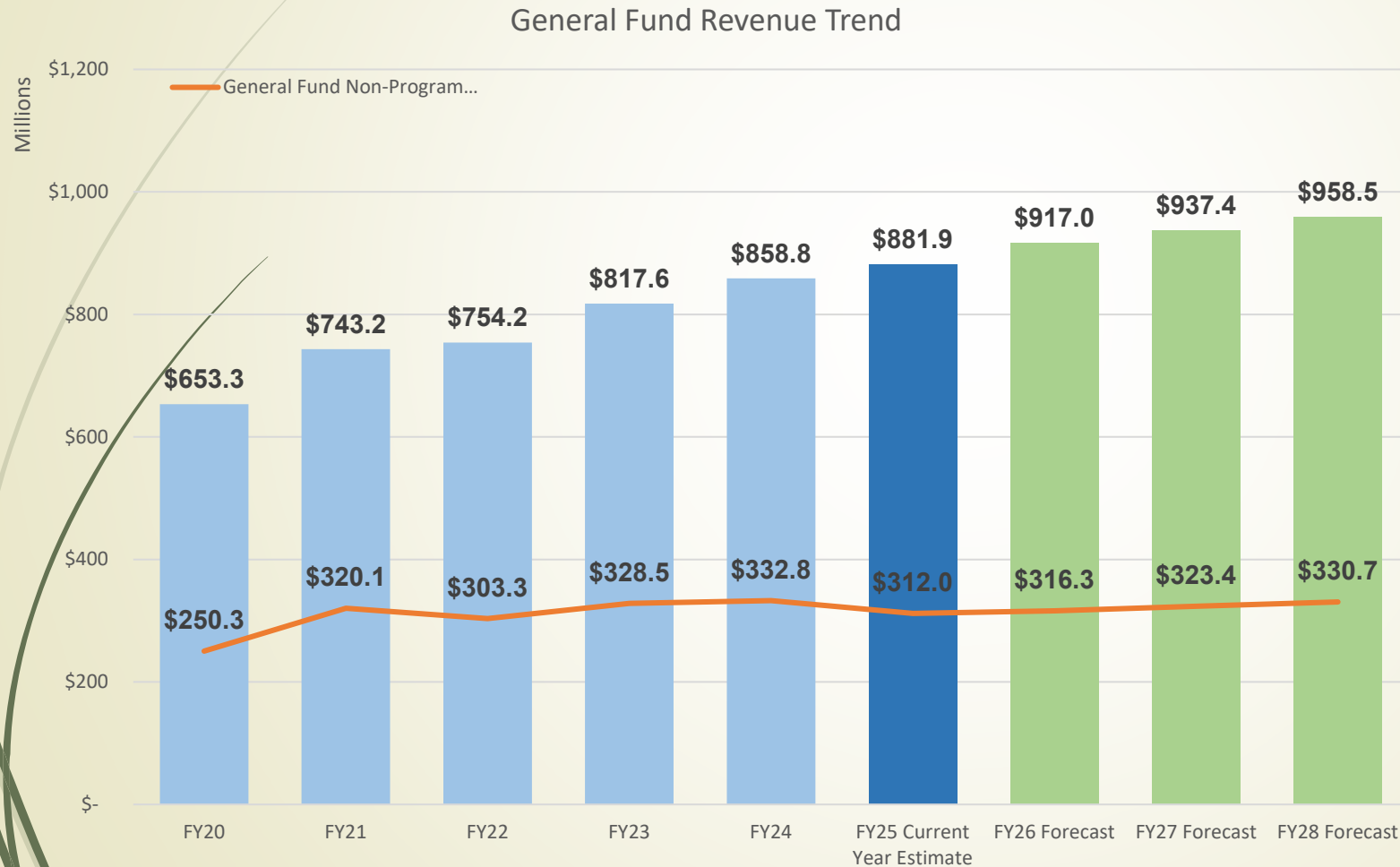
- General Fund
  - Year-end Estimate and Forecast Overview
  - Revenue Trends
  - Expenditure Trends and Cost Drivers
- Other Funds
- Next Steps

# General Fund – Current Year

	2023-24	FY 2024-25			2025-26	2026-27	2027-28
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Available Financing:							
Beg. Unassigned Fund Balance	\$ 27.4	\$ 5.2	\$ 10.7	\$ 10.7	\$ -	\$ -	\$ -
Release of Fund Balance	63.3	13.3	13.3	15.3	-	-	-
Revenues	<u>858.8</u>	<u>873.8</u>	<u>876.2</u>	<u>881.8</u>	<u>917.0</u>	<u>937.4</u>	<u>958.5</u>
Total Financing Sources	\$ 949.5	\$ 892.3	\$ 900.2	\$ 907.8	\$ 917.0	\$ 937.4	\$ 958.5
Financing Uses:							
Assignments/Restrictions	\$ 84.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	830.2	883.9	892.0	886.7	958.9	1,003.9	1,051.6
Salary Adjustment					(7.4)	(7.8)	(8.3)
Appropriation for Contingencies	<u>-</u>	<u>8.4</u>	<u>8.2</u>	<u>8.1</u>	<u>8.8</u>	<u>8.7</u>	<u>8.8</u>
Total Financing Uses	\$ 914.8	\$ 892.3	\$ 900.2	\$ 894.8	\$ 960.3	\$ 1,004.8	\$ 1,052.1
Ending Unassigned Fund Balance	\$ 34.7	\$ -	\$ -	\$ 13.0	\$ (43.3)	\$ (67.4)	\$ (93.6)

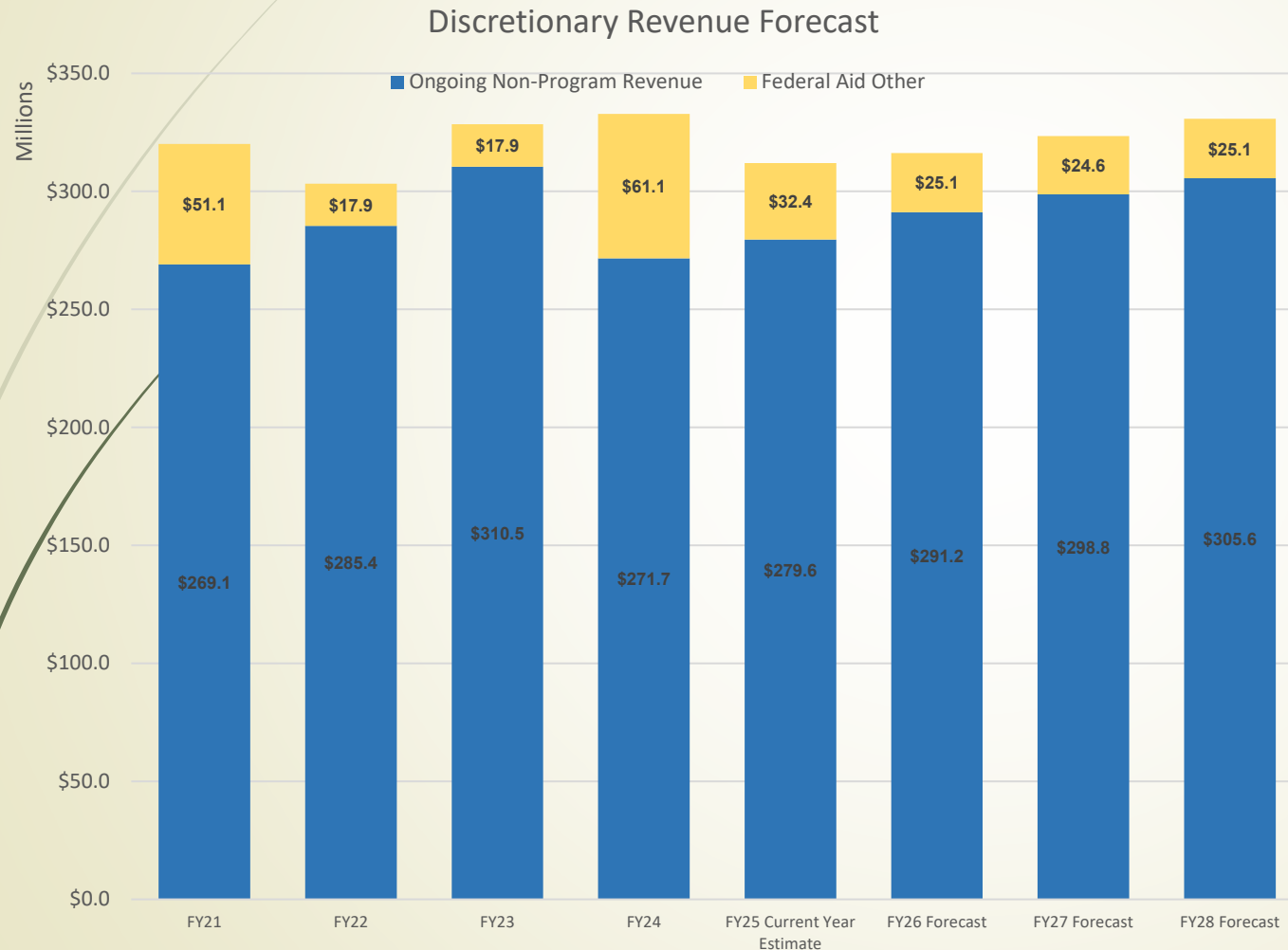
- Current Year (CY) estimate favorable
- Shows positive balance adding \$13.0 million to unassigned fund balance of this \$8.5 is assigned to Natividad for the new computer system
- Forecasted years show \$43.3 million deficit in FY 2025-26, which grows to \$67.4 and \$93.6 million in FY 2026-27 and FY 2027-28

# General Fund - Revenue



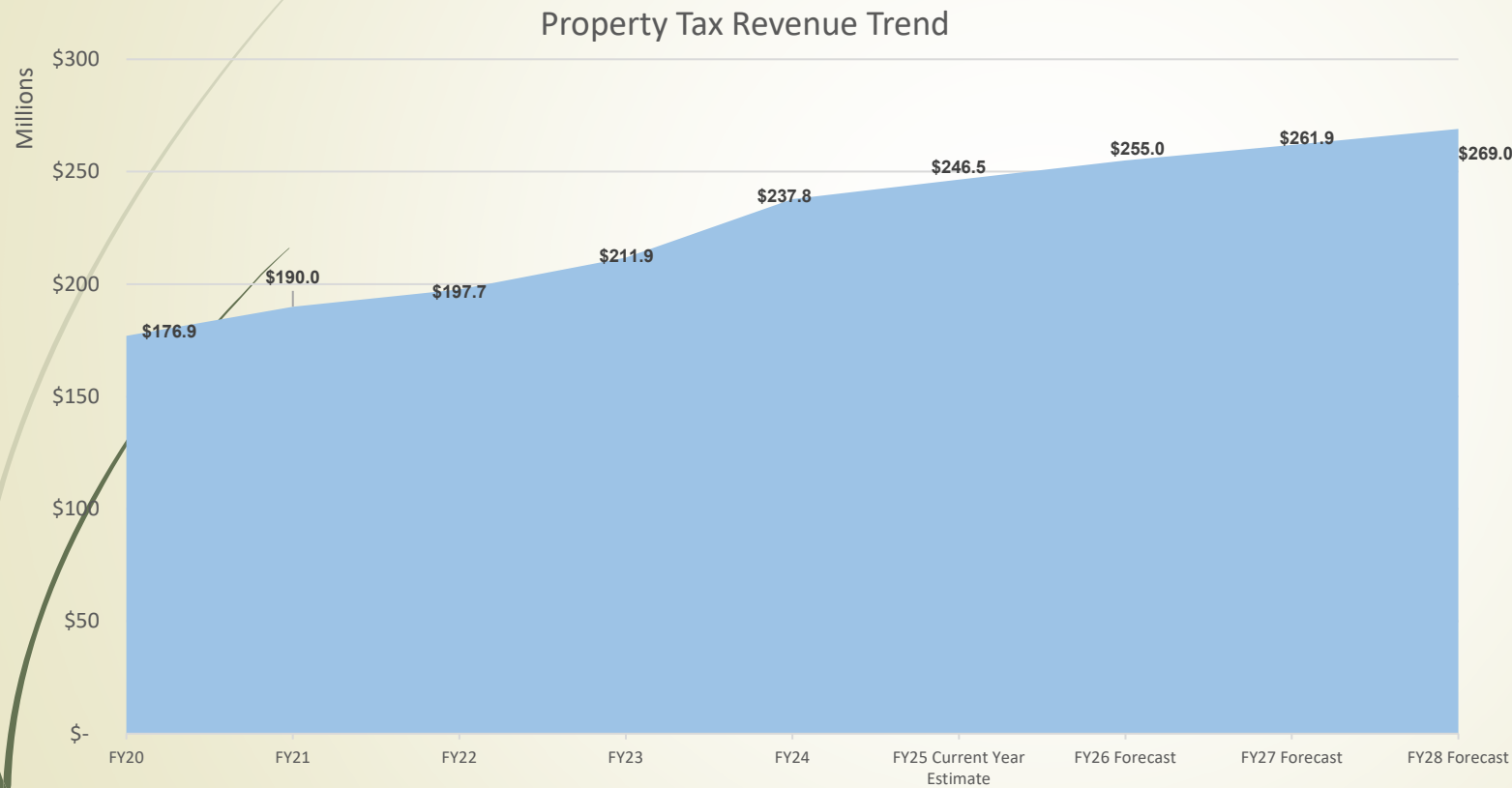
- Still increasing
- Estimated to increase by \$23.1 million in FY 2024-25 when compared to actuals in FY 2023-24
- Non-program revenue expected to decrease compared to FY 2024-25 due to one-time ARPA funds received; expected to increase in years thereafter

# General Fund – Discretionary Revenue



- Projected higher by \$7.9 million, mostly due to increased property tax revenues
- Forecast years and CY assume one-time revenue is not received, resulting in decrease in federal aid from ARPA revenues

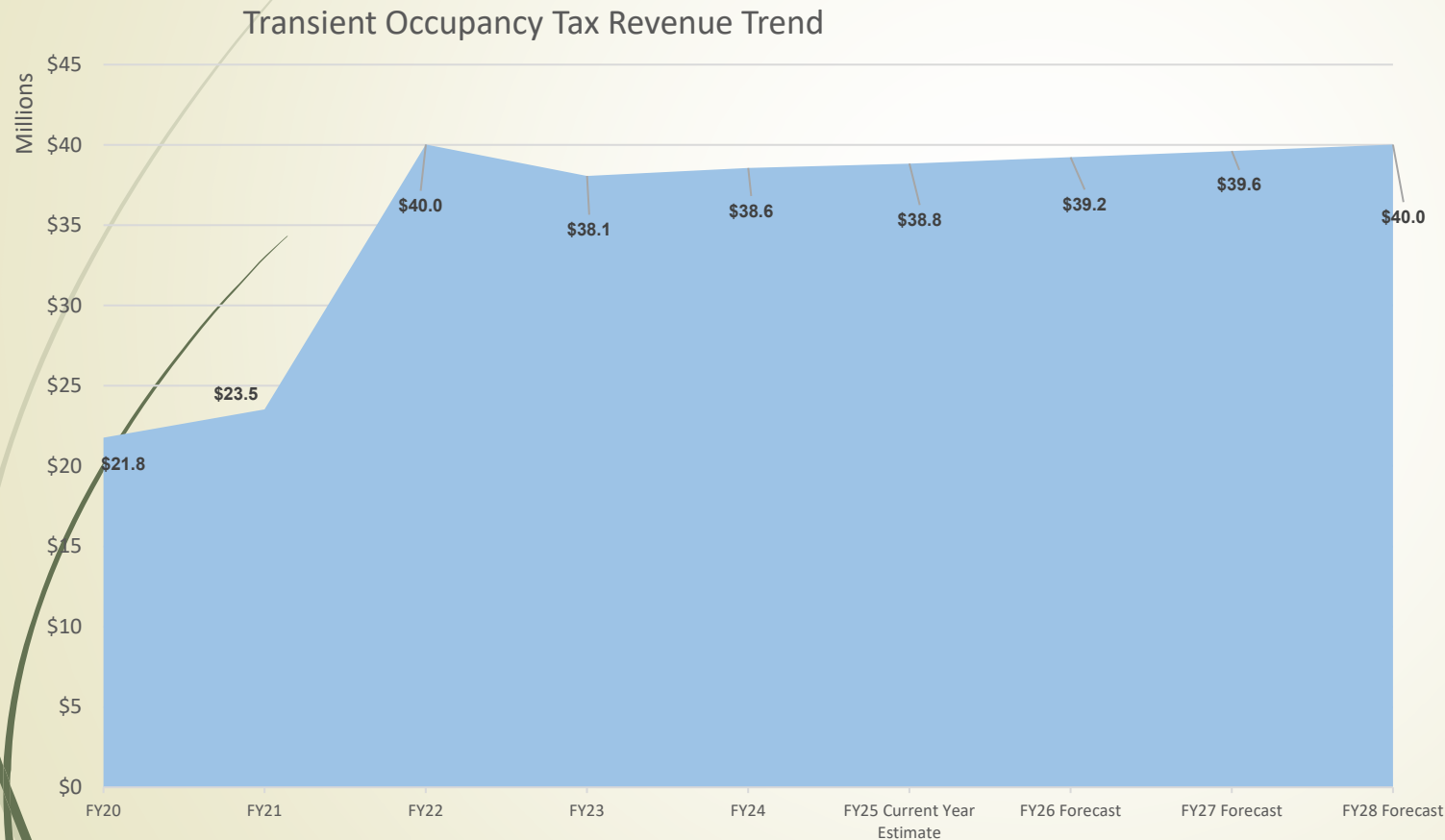
# General Fund Discretionary Revenue Drivers – Property Tax



- Continued to grow, with most significant growth occurring in FY 2023-24; further growth projected in forecast years

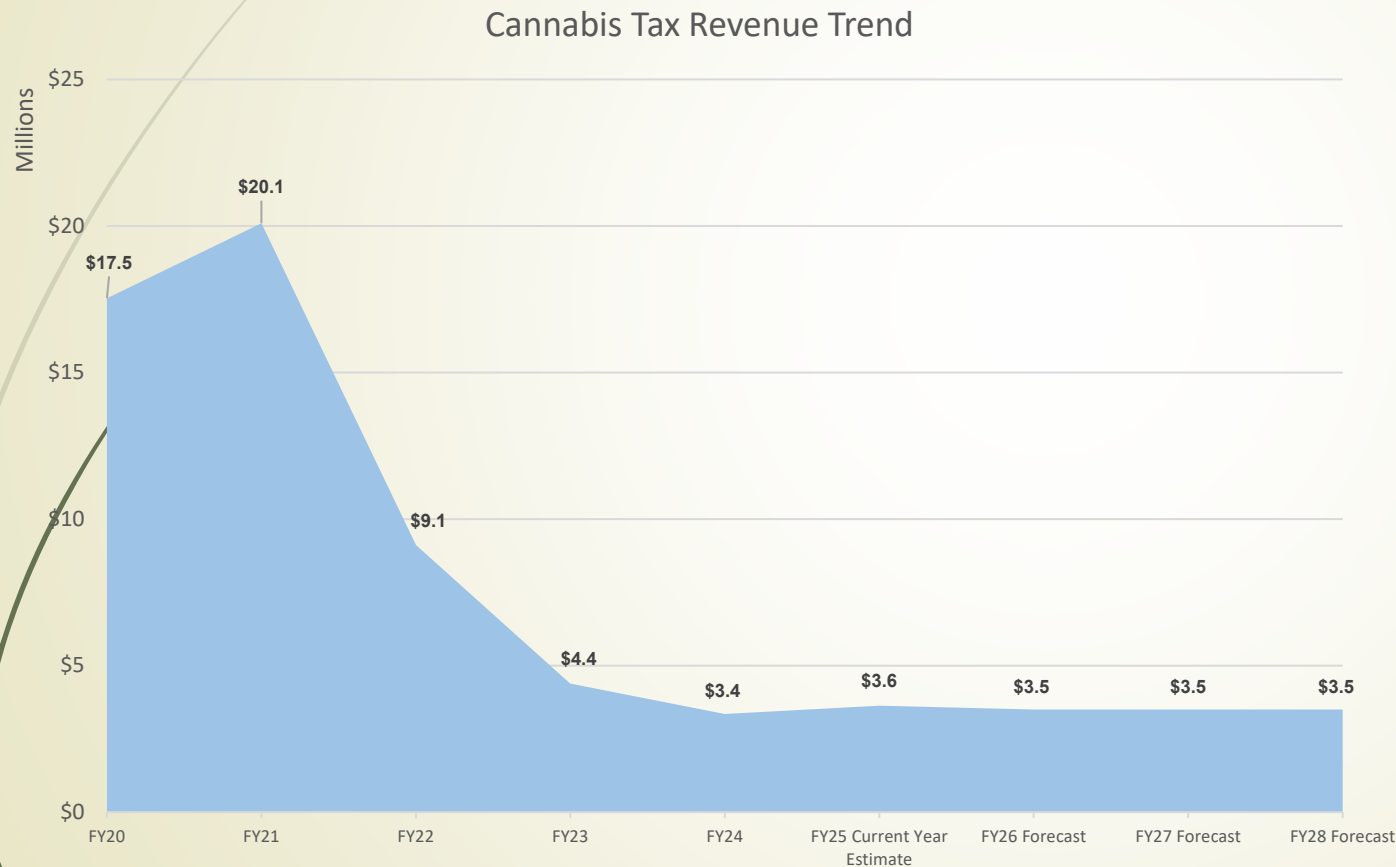


# General Fund Discretionary Drivers - TOT



- Second largest source of discretionary revenue; also, one of the most volatile as it responds quickly to changes in the economy
- Revenue projected to increase in forecast years assuming no downturn in economy

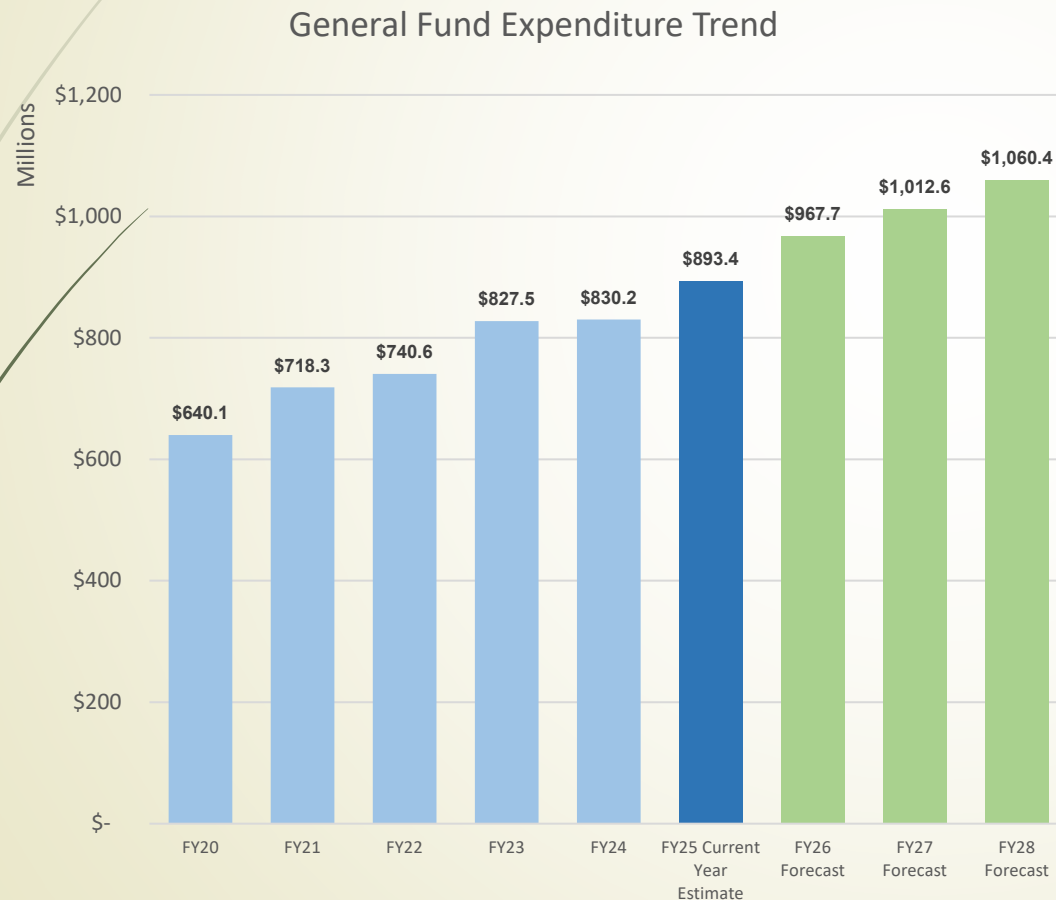
# General Fund – Cannabis Revenue



- Changed significantly year over year since its inception; latest estimate indicates revenue source will be \$3.6 million in FY 2024-25.
- Estimate down from prior estimates of over \$5 million
- \$2.7 million in revenue collected in FY 2024-25, as of February 18, 2025

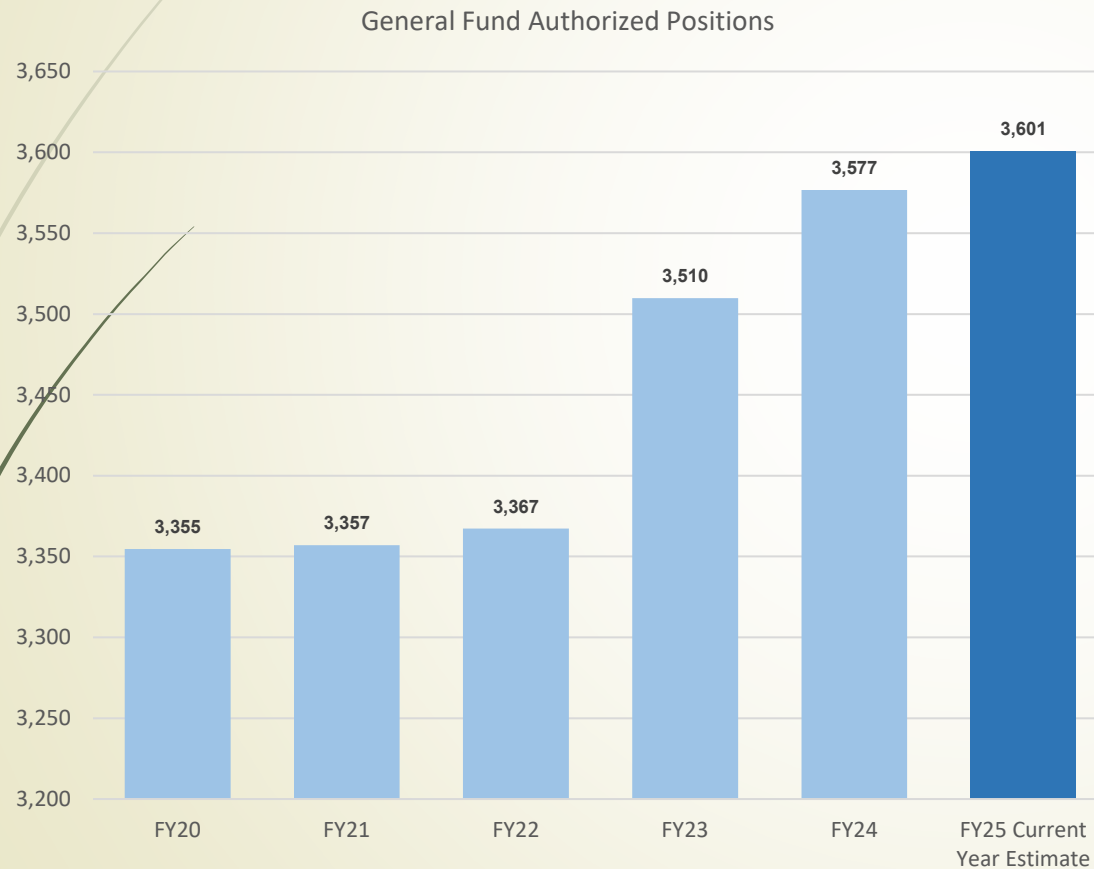


# General Fund – Expenditures Trend



- Continue to grow at a faster rate than revenue
- CY estimates at \$7.3 million below budget
- Expenses continue to grow in forecast years due to cost drivers depicted in subsequent slides

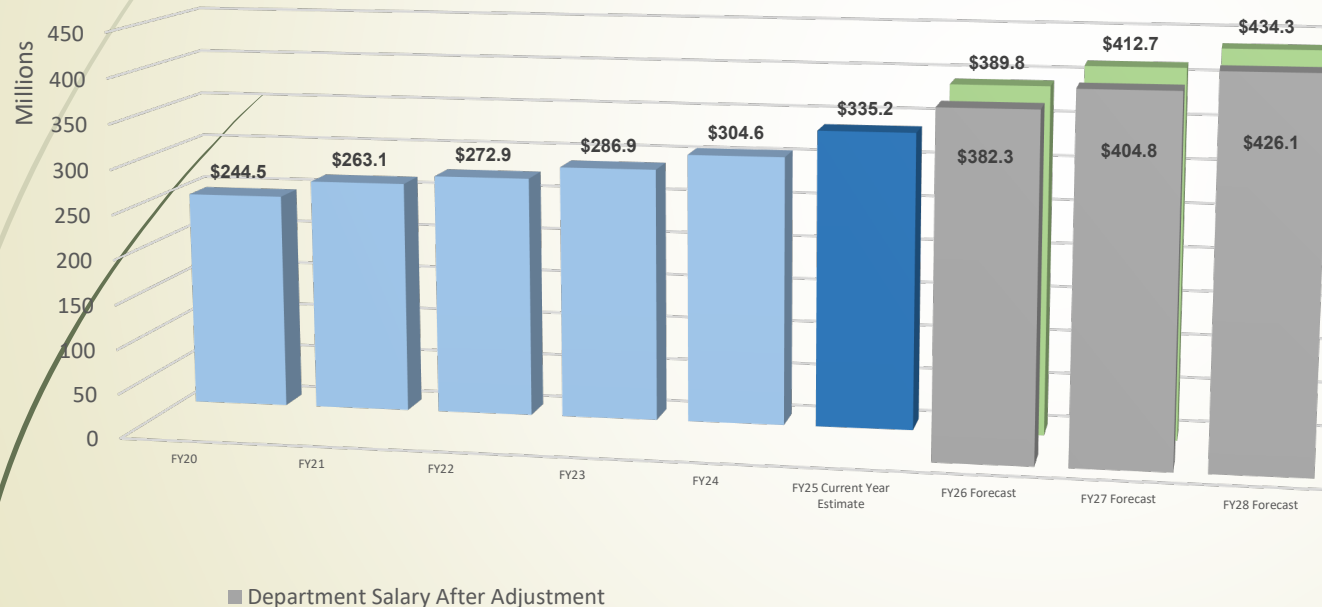
# General Fund Cost Drivers - Positions



- Continued to grow every year for the last six years

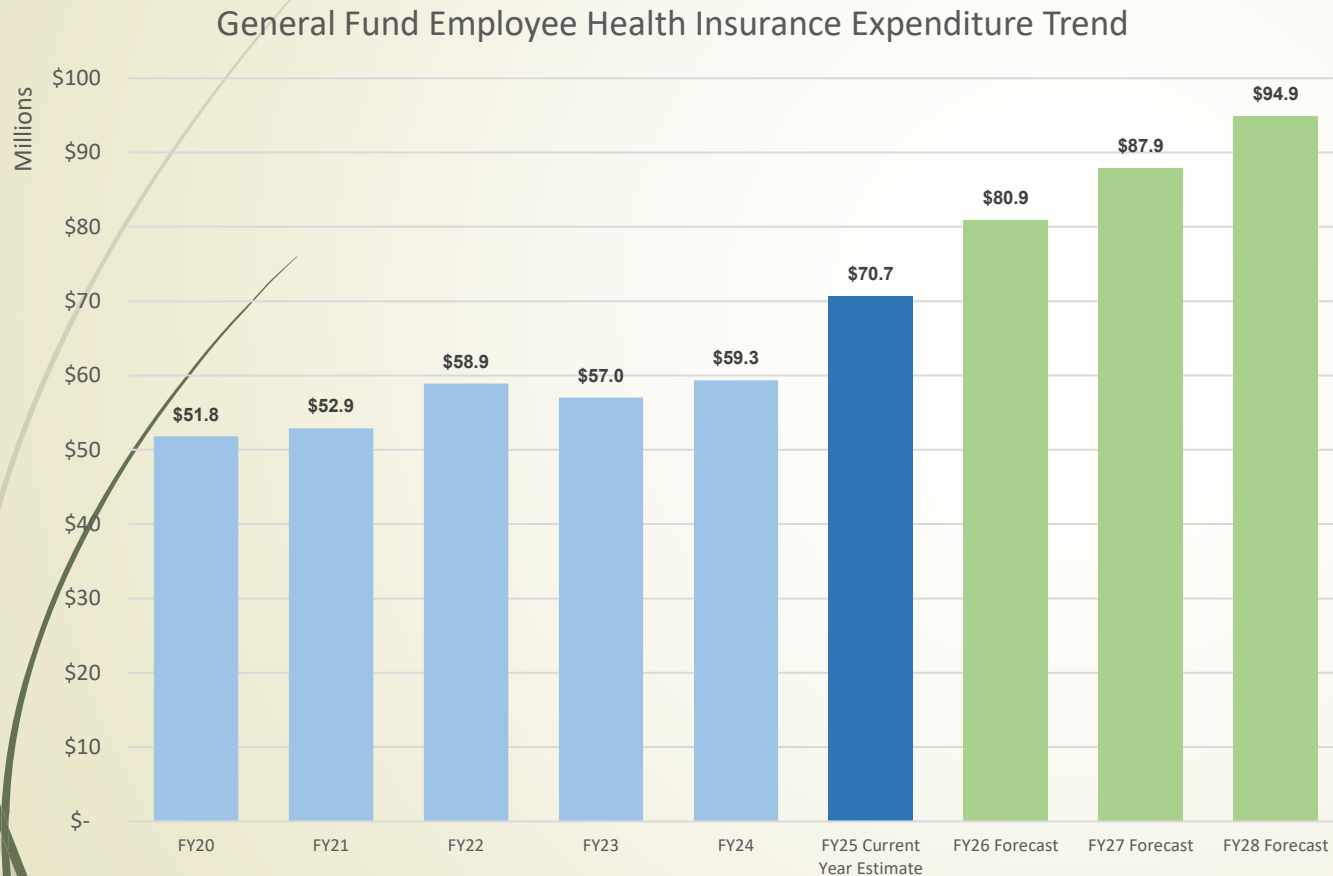
# General Fund Cost Drivers - Salaries

General Fund Salary Expenditure Trend



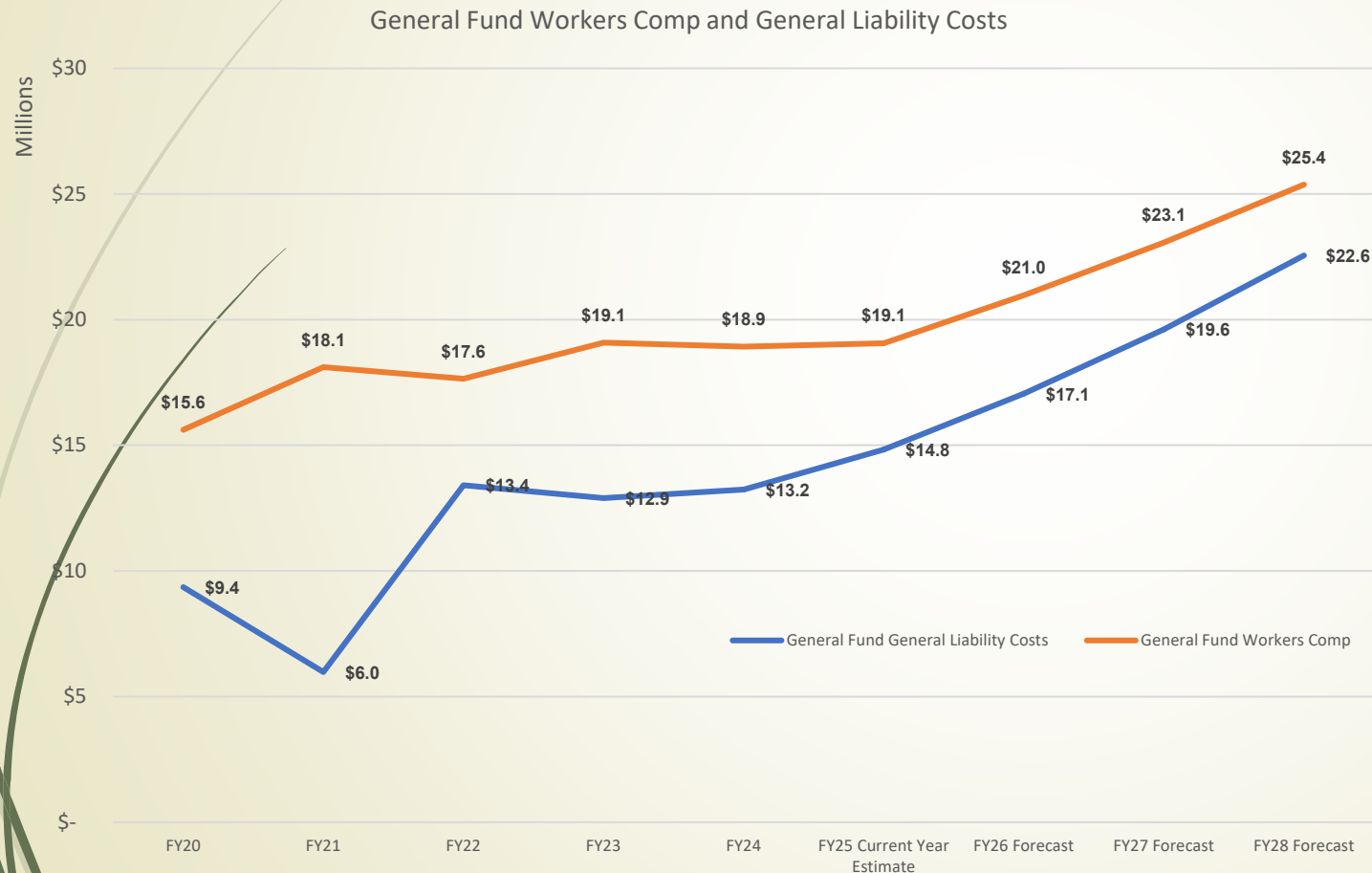
- Estimated to grow to \$335.2 million in FY 2024-25; increase of \$30.6 million from FY 2023-24
- Largest contributing factor to growth is attributed to increased wages due to labor negotiations, wage studies and cost of living adjustments
- Salaries projected to grow to \$434.3 million by FY 2027-28
- Part of this increase is driven by increase in total positions

# General Fund Cost Drivers – Health Insurance



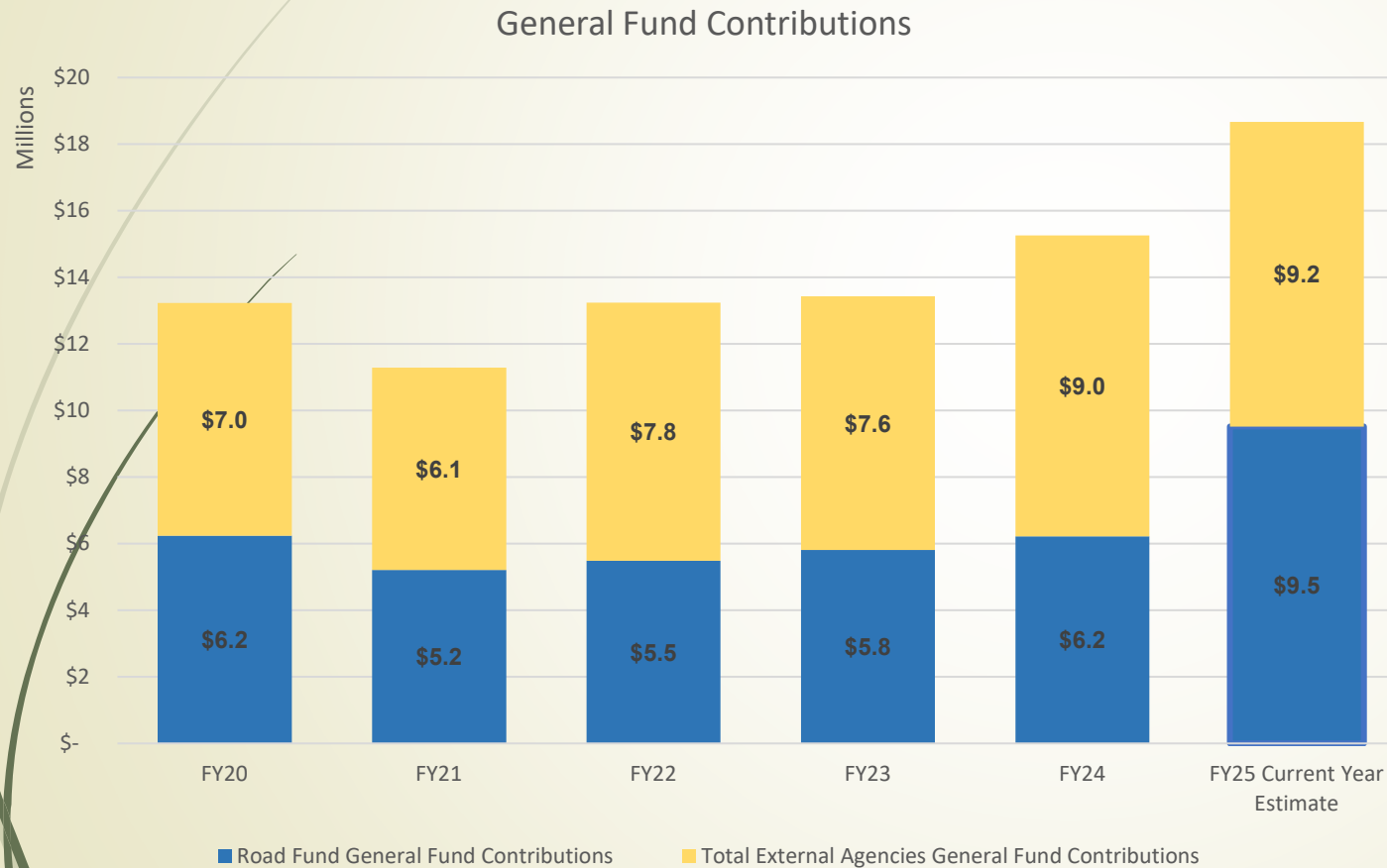
- Costs projected at \$70.7 million at end of FY 2024-25, which represents an increase of \$11.4 million from prior fiscal year
- Rate of growth expected to continue in FY 2025-26 (\$10.2 million) due to increased premiums and negotiated labor agreements, which increased County's share of cost of those premiums

# General Fund Cost Drivers – General Liability and Workers Compensation



- Continue to grow
- Important to manage growth to minimize impact on County operations

# General Fund Cost Drivers - Contributions



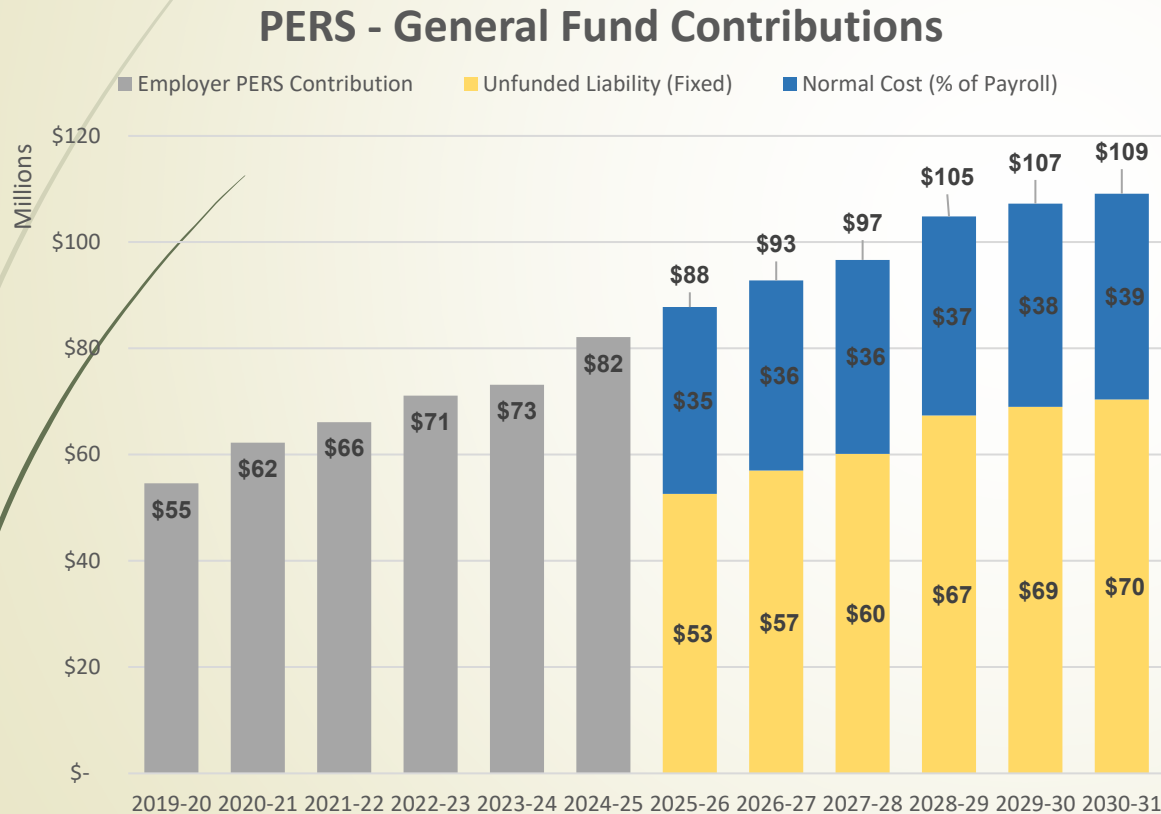
- Increased by \$3.5 million in FY 2024-25 from prior year due to:
  - Board direction to provide 25% of TOT to Road fund (\$3.3 million), and
  - Restoration of formula approach to contributions to Development Set Aside(DSA) agencies (\$0.2 million)



# General Fund Cost Drivers – Contributions

County Contributions Other Agencies		
Contributions	FY25 Adopted	FY26 Baseline GFC
ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS	33,799	33,577
COURT APPOINTED SPECIAL ADVOCATES OF MONTEREY COUNTY	50,000	50,000
LAFCO	375,898	389,867
MONTEREY BAY UNIFIED AIR POLLUTION CONTROL DISTRICT	59,153	63,200
PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY	10,000	10,000
PAJARO SUNNY MESA COMMUNITY SERVICES DISTRICT	25,000	25,000
PRUNEDALE SENIOR CENTER	25,000	25,000
PAJARO SUNNY MESA - PAJARO PARK	59,000	59,000
GREEN BUSINESS PROGRAM	20,000	-
<b>Total 8029 - Contributions</b>	<b>657,850</b>	<b>655,644</b>
<b>Development Set Aside/TOT</b>		
MCCVB	1,913,494	1,938,162
ARTS COUNCIL	603,164	610,940
FILM COMMISSION	289,724	293,459
MCBC	188,593	191,024
SALINAS REGIONAL SOCCER COMPLEX	200,000	200,000
SALINAS VALLEY PROMISE (HARTNELL COLLEGE FOUNDATION)	200,000	200,000
SHUMAN HEART HOUSE	100,000	100,000
PRUNDALE SENIOR CENTER	5,000	5,000
<b>Total DSA/TOT</b>	<b>3,499,975</b>	<b>3,538,585</b>
<b>Total Contributions</b>	<b>4,157,825</b>	<b>4,194,229</b>

# General Fund Cost Drivers – Pension Costs



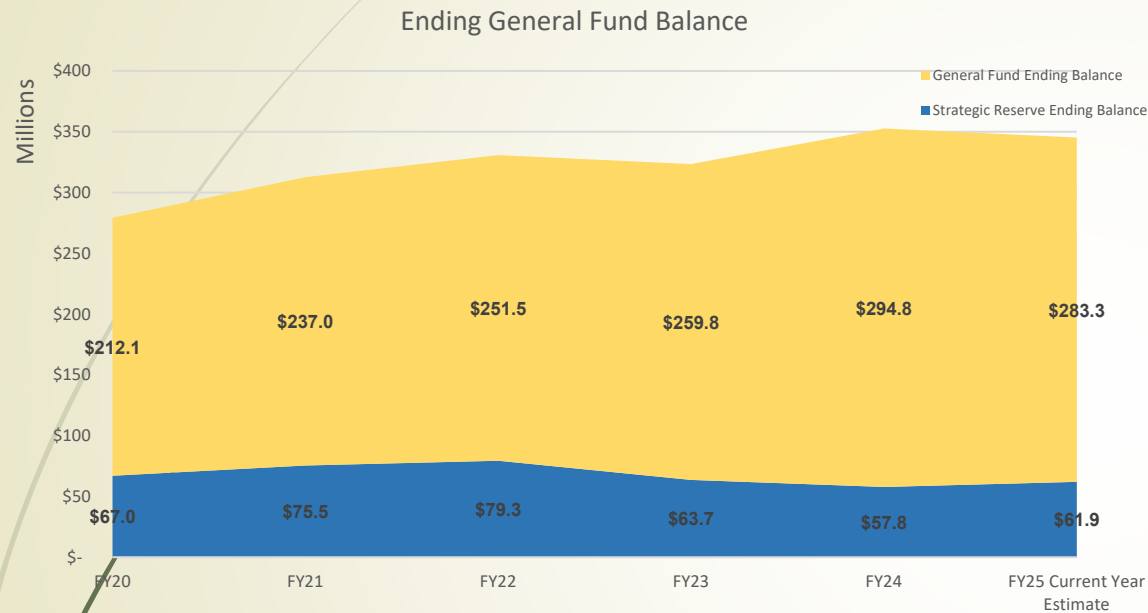
- Projected to increase to \$82 million in FY 2024-25 and grow to high of \$109 million in FY 2030-31
- Rising costs due to changes in discount rate, investment performance, and increase in staffing and wages
- Normal cost remains stable in projections; unfunded liability costs grown significantly and remain the more volatile part of this cost

# Emerging Needs

Emerging Needs	FY24-25	FY25-26	FY26-27
Wage Study Adjustments	-	\$6.4	\$6.2
Salary Increases	\$2.3	\$29.7	\$31.1
PERS Contribution Increases	\$8.9	\$5.7	\$5.0
<b>Total</b>	<b>\$11.2</b>	<b>\$41.8</b>	<b>\$42.3</b>

- Most bargaining units labor agreements were negotiated resulting in additional cost of \$2.3 million for FY 2024-25, additional \$29.7 for FY 2025-26, and \$31.1 in FY 2026-27
- Wage study adjustments estimated at an additional \$6.4 million next year and \$6.2 million the following year
- Natural disasters will continue to impact County

# Strategic Reserve



- Balance estimated at \$61.9 million
- Although replenished, it was utilized again in current year

Disaster #	Incident Name	Status	Possible FEMA Eligible Damage	Low End Reimbursement	Maximum Possible Federal	Obligated Federal Share
4434	2019 Winter Storm	Close Out	\$95,762	\$70,429	\$77,250	\$70,429
4482	2020 COVID-19	In Progress	\$18,179,563	\$7,114,934	\$18,149,804	\$7,114,934
4558	2020 Wildfires	Close Out	\$1,820,703	\$1,737,358	\$1,737,358	\$1,737,358
4683	2023 January Winter Storms	In Progress	\$27,999,026	\$18,754,646	\$23,489,059	\$2,036,926
4699	2023 March Winter Storms	In Progress	\$43,751,190	\$17,341,847	\$32,813,393	\$384,717
4769	2024 February Winter Storms	Commencing	\$4,953,995	\$778,336	\$3,715,496	-
<b>Grand Total</b>			<b>\$96,800,239</b>	<b>\$45,797,550</b>	<b>\$79,982,360</b>	<b>\$11,344,364</b>

# Departmental Performance

Departments projecting deficit in fiscal year (additional details in page 3 of forecast report):

- Health
- Public Works, Facilities, and Parks
- Social Services

Department	Modified GFC Budget FY 2024-25	Current Year Estimate GFC	Variance
Agriculture Commissioner's Office	\$ (5,838,428)	\$ (4,690,724)	\$ 1,147,704
Assessor-County Clerk-Recorder	\$ (6,264,616)	\$ (5,921,731)	\$ 342,885
Auditor-Controller's Office	\$ (1,191,747)	\$ (1,138,930)	\$ 52,817
Board of Supervisors	\$ (6,382,790)	\$ (6,312,593)	\$ 70,197
Civil Rights Office	\$ (382,624)	\$ (432,666)	\$ (50,042)
Clerk of the Board's Office	\$ (987,345)	\$ (990,944)	\$ (3,599)
Cooperative Extension Service	\$ (570,019)	\$ (565,851)	\$ 4,168
County Administrative Office	\$ (8,182,123)	\$ (7,851,187)	\$ 330,936
County Counsel	\$ (1,637,140)	\$ (1,391,153)	\$ 245,987
Department of Child Support Services	\$ (62,821)	\$ (25,141)	\$ 37,680
Department of Emergency Management	\$ (3,731,803)	\$ (3,532,638)	\$ 199,165
Department of Social Services	\$ (26,348,875)	\$ (27,319,114)	\$ (970,239)
District Attorney's Office	\$ (19,611,946)	\$ (17,199,010)	\$ 2,412,936
Elections Department	\$ (4,125,284)	\$ (4,112,148)	\$ 13,136
Health Department	\$ (25,542,267)	\$ (30,987,572)	\$ (5,445,305)
Housing and Community Development Department	\$ (9,625,779)	\$ (8,315,855)	\$ 1,309,924
Human Resources Department	\$ (813,044)	\$ (274,867)	\$ 538,177
Information Technology Department	\$ (2,769,799)	\$ (1,192,530)	\$ 1,577,269
Probation Department	\$ (25,210,412)	\$ (24,767,320)	\$ 443,092
Public Defender's Office	\$ (14,992,145)	\$ (14,766,447)	\$ 225,698
Public Works, Facilities and Parks Department	\$ (14,538,470)	\$ (16,509,188)	\$ (1,970,718)
Sheriff-Coroner	\$ (102,632,910)	\$ (102,676,429)	\$ (43,519)
Treasurer-Tax Collector	\$ (245,845)	\$ 140,304	\$ 386,149
Total	\$ (281,688,232)	\$ (280,833,734)	\$ 854,498





# Subsequent Events

- Sheriff – Due to timing issues, department believes deficit will be closer to \$7.6 million and up to \$44.4 million in future years.
- Health Department – Anticipates narrowing or closing \$5.4 million gap with additional new fee for service revenue.
- Social Services – Prior year ended in \$6.5 million deficit due to delayed revenue. Balance not included in current forecast as it was for prior year.
- These items, if realized, would have favorable impact of \$4.3 million to the information outlined above, but \$6.5 million is attributable to a prior year.





# Other Funds

- ▶ Library - Projected to use \$0.09 million of their fund balance for completion of Pajaro and Gonzales branches; anticipated completion in FY 2025-26
- ▶ Emergency Communications - Projected to reduce fund balance by approximately \$19,000 in FY 2024-2025. Costs expected to rise in forecast years due to escalating salaries, pensions, and health insurance costs, as well as rising costs of service agreements
- ▶ Natividad – Net position projected to increase from operations by \$13.4 million and decrease in forecasted years
- ▶ Lake Resort – Net position projected to decrease from \$3.3 million to \$3.1 million in FY 2024-25; figure expected to rise by \$4.1 million due to adjustment of assets from ongoing Lake projects.
- ▶ Laguna Seca – Projected to end year with \$28.8 million in ending net position (\$26.4 million in capital assets, leaving \$2.4 million as unrestricted)

# Other Funds – Road Fund

- Revenues projected lower than expenditures, resulting in reduction of \$18 million to fund balance due to implementation of various projects including the Local Rehabilitation Program and Pavement Management Seal Coat that carried over from FY 2023-24 and salary and benefit increases
- Forecasted revenues and expenditures fluctuate depending on project activity

Fund 1201 (Road Fund Fund) Public Works, Facilities and Parks Department	Modified Budget	Year End Estimate	Forecast		
	2024-2025	2024-2025	2025-2026	2026-2027	2027-2028
A. Beginning Fund Balance	\$ 26,682,096	\$ 26,682,096	\$ 8,726,384	\$ 9,767,740	\$ 7,071,853
B. Total Revenues	\$ 61,290,800	\$ 62,439,232	\$ 79,548,598	\$ 64,823,565	\$ 65,811,196
C. Total Expenditures	\$ 78,152,940	\$ 80,394,944	\$ 78,507,242	\$ 67,519,452	\$ 66,001,808
D. Ending Fund Balance	\$ 9,819,956	\$ 8,726,384	\$ 9,767,740	\$ 7,071,853	\$ 6,881,241
E. Increase/(Decrease) in Fund Balance	\$ (16,862,140)	\$ (17,955,712)	\$ 1,041,356	\$ (2,695,887)	\$ (190,612)

# Other Funds – Behavioral Health

- CY expenditures estimated at \$182.6 million and revenues at \$175.5 million, resulting in estimated decrease in fund balance of \$7.1 million
- Expenditures projected to be \$11.9 million above budget due to construction of Mental Health Rehabilitation Center, Pearl Street Renovation Project, and increases in operational costs including salary and benefits
- Revenues anticipated at \$10.7 million above budget; credited to projected increase of \$7.2 million in Federal Financial Participation.

Fund 1310 (Behavioral Health Fund) Health Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast		
			2025-2026	2026-2027	2027-2028
A. Beginning Fund Balance	\$ 30,142,039	\$ 30,142,039	\$ 23,061,519	\$ 11,203,675	\$ 106,922
B. Total Revenues	\$ 164,773,469	\$ 175,518,468	\$ 175,297,271	\$ 174,510,746	\$ 174,463,718
C. Total Expenditures	\$ 170,658,951	\$ 182,598,988	\$ 187,155,115	\$ 185,607,499	\$ 186,692,475
D. Ending Fund Balance	\$ 24,256,557	\$ 23,061,519	\$ 11,203,675	\$ 106,922	\$ (12,121,835)
E. Increase/(Decrease) in Fund Balance	\$ (5,885,482)	\$ (7,080,520)	\$ (11,857,844)	\$ (11,096,753)	\$ (12,228,757)



# Next Steps

- ▶ In coming weeks, staff to analyze baseline budgets to understand areas of budget flexibility, funding gaps, and potential impacts to build well-informed and responsible recommended spending plan
- ▶ March 21, 2025 - Department Heads Budget Workshop
- ▶ March 25, 2025 – Board of Supervisors Budget Workshop
- ▶ May 28-29, 2025 – Budget Hearings



Questions?