



County of Monterey

Item No.20

Board Report

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

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- a. Receive a follow-up status report on the County of Monterey Health Services Master Plan Project - Phase I Mental Health Rehabilitation Center (MHRC); and
- b. Provide direction to staff on preferred option:
 - i. Proceed with constructing one MHRC only (one MHRC and one support building);
 - ii. Proceed with Phase 1, Part 1 of project (three MHRCs and one support building);
 - iii. Proceed with Phase 1, Part 1 and Part 2 of project (six MHRCs and one support building);
 - iv. Cease future work on the project.
- c. Provide further direction, as appropriate.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a follow-up status report on the County of Monterey Health Services Master Plan Project - Phase I, Mental Health Rehabilitation Center (MHRC); and
- b. Provide direction to staff on preferred option:
 - i. Proceed with constructing one MHRC only (one MHRC and one support building)
 - ii. Proceed with Phase 1, Part 1 of project (three MHRCs and one support building);
 - iii. Proceed with Phase 1, Part 1 and Part 2 of project (six MHRCs and one support building);
 - iv. Cease future work on the project
- c. Provide further direction, as appropriate.

SUMMARY:

On October 28, 2025, the County of Monterey Board of Supervisors (BOS) received a status update on the Health Services Campus Plan Phase I. During that presentation, staff from Public Works, Facilities & Parks (PWFP), and the Health Department provided an overview of progress on the proposed Mental Health Rehabilitation Center (MHRC) project and requested direction from the BOS. The project proposes the development of a 96-bed MHRC campus at 1443 Constitution Boulevard in Salinas, located across from the Salinas Regional Soccer Complex.

During the meeting, the BOS raised several questions and concerns regarding the project's fiscal sustainability, staff outreach in regard to the proposed project and revenue model, public outreach efforts, and the current utilization of the rehabilitation wing at the County Jail, as this was the initial proposed location for the project at its inception. Ultimately, the BOS directed staff to pause the project until additional information could be provided to BOS on these topics. This update is intended

to address these questions, present the additional information requested by the BOS, and seek further direction on the preferred options presented.

DISCUSSION:

The County of Monterey Health Department's Behavioral Health Bureau (BHB) has been advancing the development of six (6) separate 16-bed Mental Health Rehabilitation Centers (MHRC) as part of Phase I of the Health Services Campus Master Plan, which would bring a total of 96 additional treatment beds to the County of Monterey and the Central Coast Region. The MHRC (Project) is proposed at an undeveloped County-owned parcel located at 1443 Constitution Boulevard in Salinas, located across from the Salinas Regional Soccer Complex and adjacent to the County's Jail and Natividad Medical Center. The Project was initially proposed as a renovation of the rehabilitation wing at the County Jail; however, that approach was no longer feasible due to the County of Monterey's Sheriff's Office retaining the facility for its own programmatic needs. As a result, the project was revised to a new construction approach at the 1443 Constitution Boulevard site in Salinas.

Due to the shift to new construction and other factors, the Project's estimated total budget is currently \$172,454,829. To support development, the project has leveraged \$20,166,779 in Behavioral Health Continuum Infrastructure Program (BHCIP) Round 5 funding and \$31,000,000 in BHCIP Bond Round 1 funding, which requires a \$3,100,000 local match that the BHB has identified from Mental Health Services Act (MHSA) funds. The combined total funding available is therefore \$54,266,779, leaving a funding gap of \$118,158,050, which the BHB has proposed addressing through debt issuance. The BHB anticipates that the annual debt service payments will be financed through Federal Financial Participation (FFP) reimbursement for services delivered in the BHB system of care.

This information was extensively shared with the BOS at the October 28, 2025, meeting. The purpose of this report is to provide additional details and specifically address the questions and concerns raised by the BOS at that meeting.

Public Outreach and Community Engagement

Following the October 28, 2025, meeting, the BHB conducted outreach to ensure transparency and solicit community input. This included door-to-door outreach to residents near the proposed project site on November 5 and November 8, 2025, providing information about the MHRC project, answering questions, and inviting community members to participate in upcoming listening sessions. Additionally, BHB mailed a bilingual fact sheet on the Project and notice of upcoming listening sessions to residential addresses within 300 feet of the parcel on October 15th and November 3rd, and to addresses within 1,500 feet of the parcel the first week of December.

It should be noted that two hybrid community informational sessions were also conducted in November 2024 at our Alisal Integrated Health Center, during the initial planning phase of the Project.

The BHB also participated in the County's media briefing on November 12, 2025, to share information about the scheduled listening sessions on November 13, November 17, and December 6, 2025. The first two sessions were held in-person at 1270 Natividad Road, with virtual participation options via Zoom and live streaming on the County's YouTube and Facebook channels. These efforts are designed to provide multiple avenues for the community to engage with staff, learn about the

project, and provide input that will inform ongoing planning and operational considerations.

Attachment A highlights the public outreach efforts and feedback received from community members throughout these efforts.

Fiscal Sustainability

In addition to community engagement, the BHB has continued to evaluate the project's fiscal model to ensure long-term sustainability. Following input and questions from the BOS, staff have analyzed projected operational costs, revenue streams, and funding mechanisms for the MHRC, including anticipated Medi-Cal reimbursements and Federal Financial Participation (FFP). This assessment determines whether the facility can maintain ongoing operations, cover debt service obligations, and operate without reliance on additional County general fund support.

In alignment with Board direction, BHB staff met with County of San Mateo's Behavioral Health and Recovery Services (BHRS) staff on November 19, 2025, to review the fiscal model for their Cordilleras project and to present Monterey County's fiscal model for feedback. County of San Mateo staff did not identify any major flaws in Monterey County's model and noted that, while Monterey's approach is simpler, it appropriately accounts for all necessary cost and revenue factors for MHRC operation. The County of San Mateo representatives noted that our projected operating cost for MHRC providers is significantly lower than their budgeted operating cost. They also mentioned that their initial contracts were significantly higher than our estimated cost, and also noted their county generally has higher salary and benefit costs, and contrary to our experience, has struggled to execute agreements with contractors at or below published Medi-Cal rates. Additionally, San Mateo County representatives commented that the revenue funding model supported our ability to finance the additional costs of the project.

Attachment B provides additional information related to this topic.

Site Considerations and Former County Jail Option

During initial project planning, the MHRC was proposed as a renovation project of the rehabilitation wing at the County's Jail. This approach was evaluated for feasibility, including potential renovation costs, compliance with Medi-Cal reimbursement requirements, and alignment with operational needs. However, the Monterey County Sheriff's Office determined that the facility was required to continue housing its own programs, making this option no longer viable and possible. The space is currently being used as a multifunctional hub for both staff and incarcerated population as an educational programmatic and vocational training space, laundry operations, job resource fairs, community collaboration meetings, and staff and tactical trainings. Longer term, this space will be utilized as a centralized discharge and reentry resources center, ensuring all released inmates receive immediate support and linkage to housing, outpatient medical and behavioral health services, employment, education and other services needed.

Following this determination, the project was revised to a new construction approach at the undeveloped County-owned parcel at 1443 Constitution Boulevard in Salinas. This site was selected based on several factors:

- Alignment with BOS direction from January 18, 2018, to designate this parcel for future healthcare facilities.
- Proximity to other County health services to facilitate integrated care.
- Adequate space to accommodate six 16-bed MHRC buildings (96 beds total) with support infrastructure.
- Ability to bill Medi-Cal for all services due to the 16-bed facility and licensing requirements.
- Zoning and land use compatibility with County plans.
- Access to transportation and regional services, ensuring convenience for clients, staff, and visitors.

The revised site also allows flexibility in building design to meet operational, safety, and accessibility standards, while ensuring compliance with state and federal regulations governing mental health facilities. Staff have conducted preliminary environmental, utility, and infrastructure assessments, confirming that the site is suitable for the proposed development.

Staff Outreach on Proposed Revenue Model

While some discussions have occurred in smaller groups, the BHB will hold an all staff meeting on December 3rd and proposed revenue model will be discussed at length with the teams.

Staff Recommendations and Requested Board Direction

Based on the additional analysis, community engagement, fiscal review, and feedback received since the October 28, 2025, meeting, staff do not have a recommendation to provide and seek direction from the Board. The information gathered-including verification of the fiscal model, confirmation of funding assumptions, expanded community outreach, and review of alternative site feasibility-indicates that:

- a. if the Board approves the project to move forward with one (1) MHRC and a support building the County will need to issue approximately \$74.3 million in debt with the forfeiture of \$51 million dollars in grant funding from BHCIP Round 5 and BHCIP Bond Round 1,
- b. if the Board approves the project to move forward with three (3) MHRCs and a support building the County will need to issue approximately \$94.7 million in debt with an estimated \$20.2 million dollars in project financing from the BHCIP Round 5 grant pending modification and forfeiture of \$31 million in project financing from BHCIP Bond Round 1,
- c. if the Board approves the project to move forward with six (6) MHRCs and a support building, the County will need to issue approximately \$118.1 million in debt with an additional \$51 million of project financing from BHCIP Round 5 and BHCIP Bond Round 1 Grants, and an additional \$3.1 million in financing from MHSA match funding, and
- d. If the Board orders project planning to cease there are approximately \$3.7 million in sunk costs that will be absorbed by the Bureau.

The MHRC project represents a critical component of the County's efforts to expand local behavioral health treatment capacity and reduce reliance on increasingly costly out-of-county placements. The additional information gathered since October 28, 2025, provides a clearer foundation for decision-making and demonstrates that the project can be structurally, financially, and operationally

feasible. Staff remain committed to maintaining transparency, engaging the community, and ensuring responsible stewardship of County and State resources.

With Board direction, staff are prepared to advance the project toward the next phase.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

The MHRC project is being developed through a coordinated effort between the Health Department, Public Works, Facilities & Parks (PWFP), and the County Administrative Office (CAO). The Health Department's Behavioral Health Bureau (BHB) is leading program development and clinical planning, while PWFP is overseeing site planning, design, and construction management. The CAO is providing guidance on fiscal strategy, financing options, and Board-directed policy considerations. This interdepartmental collaboration ensures that the project's operational, financial, and infrastructure components are aligned as the project advances.

FINANCING:

As previously presented, the Phase I Project budget is currently estimated at \$172,454,829. The Project has received a total of \$54,266,779 in grant funding and local match, leaving a remaining funding gap of \$118,188,050. To address this gap, the BHB has requested authorization for the County to issue debt. Staff propose several new options for the Board's consideration and authorization for the County to issue debt for the funding gap, as noted in Attachment B.

The BHB staff will continue to review and analyze each option as noted in Attachment B and its ability to support the associated debt service through departmental revenue sources. Since the staff's last presentation to the Board, new information has been learned regarding the County of San Mateo's experience in operating the MHRCs at a much higher cost than projected. Additionally, the State is proposing revised language for Agreements for BCHIP funding, which could result in assets constructed with this funding being classified as state assets. Staff will provide its updated analysis during the presentation.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

If approved, the MHRC project will address a critical gap in the County's behavioral health continuum of care and directly support the Strategic Plan goal of Well-Being and Quality of Life. The project will also establish long-term, sustainable infrastructure that enhances residents' quality of life by expanding access to services close to home, aligning with the Strategic Plan goal of Sustainable Infrastructure.

Mark a check next to the related Board of Supervisors Strategic Plan Goals:

- ☒ Well-Being and Quality of Life
- ☒ Sustainable Infrastructure for the Present and Future
- ☐ Safe and Resilient Communities
- ☐ Diverse and Thriving Economy

Prepared by: Melanie Rhodes, Behavioral Health Bureau Chief, 796-1742

Fabricio Chombo, Behavioral Health Assistant Bureau Chief, 755-4578

Nick Cronkhite, Finance Manager II, 796-1270

Luis Ochoa, Capital Improvement Manager, 796-6091

Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4526

Attachments:

Board Report

Attachment A

Attachment B

MHRC Presentation