



County of Monterey

Item No.12

Board Report

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

Legistar File Number: 25-600

August 26, 2025

Introduced: 8/21/2025

Current Status: Agenda Ready

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Matter Type: General Agenda Item

- a. Review and provide input on from the Measure AA Ad Hoc Committee:
 - i. FY 2025-26 budget priorities in the County's unincorporated areas will mirror FY 2024-25 (Resolution No. 24-337);
 - ii. Beginning with FY 2026-27, the Board will allocate funding on a quarterly **OR** annual basis, as part of the budget planning process;
 - iii. Revenues will focus on new projects and programs; and,
 - iv. Revenues shall not be utilized to fund ongoing commitments.
- b. Affirm \$1,450,000 in Measure AA revenue to support AXON body-cameras in the unincorporated areas;
- c. Affirm \$50,000 in Measure AA revenue to support the Reservoir's AgTech initiatives in the unincorporated areas;
- d. Affirm \$50,000 in Measure AA revenue to support Regenerative California's blue economy and fisheries initiatives in the unincorporated areas; and,
- e. Provide further direction, as appropriate. (ADDED/REVISED VIA SUPPLEMENTAL)

RECOMMENDATION: (ADDED VIA SUPPLEMENTAL)

It is recommended that the Board of Supervisors:

- a. Review and provide input on recommendations from the Measure AA Ad Hoc Committee:
 - i. FY 2025-26 budget priorities in the County's unincorporated areas will mirror FY 2024-25 (Resolution No. 24-337);
 - ii. Beginning with FY 2026-27, the Board will allocate funding on a quarterly **OR** annual basis, as part of the budget planning process;
 - iii. Revenues will focus on new projects and programs; and,
 - iv. Revenues shall not be utilized to fund ongoing commitments.
- b. Affirm \$1,450,000 in Measure AA revenue to support AXON body-cameras in the unincorporated areas;
- c. Affirm \$50,000 in Measure AA revenue to support the Reservoir's AgTech initiatives in the unincorporated areas;
- d. Affirm \$50,000 in Measure AA revenue to support Regenerative California's blue economy and fisheries initiatives in the unincorporated areas; and,
- e. Provide further direction, as appropriate.

SUMMARY: (ADDED VIA SUPPLEMENTAL)

The Measure AA Ad Hoc Committee (Ad Hoc Committee) was established by the Board of Supervisors (Board), following the passage of Measure AA, a 1% sales tax for general governmental purposes and consumption in unincorporated Monterey County, in November 2024. In January 2025, supervisors from Districts 2 and 3 were assigned to this committee. Staff have tracked the revenue collected through this sales tax, which was initially estimated by Hinderliter, de Llamas and Associates (HdL) at \$29 million annually and became effective in April 2025. HdL's estimate was later reduced to \$24 million. The revenue collected is \$2,011,154 in April and May 2025. The Board is now asked to (1) consider recommendations from the Ad Hoc Committee related to funding parameters for the sales tax revenue, and (2) provide direction to staff, as appropriate. In a future item, staff will request guidance for the establishment of a standing committee to review budgetary requests for Measure AA revenue and an advisory committee to audit the related expenditures.

DISCUSSION: (ADDED VIA SUPPLEMENTAL)

On March 12, 2024, the Board received the Financial Forecast, which assessed the County's fiscal condition for FY 2023-24 and three forecast years (FYs 2024-25 through 2026-27). The County Administrative Office (CAO) staff explained that revenue growth is not sufficient to keep up with the increased cost of doing business.

On March 28, 2024, the County Administrative Officer provided a memorandum with options to enhance the County's financial condition in FY 2024-25 and future fiscal years. On May 7, 2024, the Board directed staff to explore both the sales tax and Transient Occupancy Tax (TOT) to identify options, gather feedback from voters through polling, and bring back a timeline on how and when to move forward.

On May 29, 2024, the information obtained from polling the electorate was presented to the Board, which indicated the County's electorate favored both measures: 61% for a sales tax increase and 63% for a TOT increase. The top voter priorities identified as addressing homelessness and housing affordability, repairing roads, and maintaining critical infrastructure. A summary of the polling results is attached to this report as Exhibit A.

On June 20, 2024, the Board adopted Resolution No. 24-236 calling for an Election to submit to the qualified Electors of the County of Monterey a Measure to raise the Retail Transactions and Use Tax (Sales Tax) in the Unincorporated Area by One Percent. Ordinance No. 5423, adopted by the Board on August 27, 2024, added Chapter 5.38 of the Monterey County Code and noted the tax is for general governmental purposes and consumption in unincorporated Monterey County.

On September 24, 2024, the Board approved and adopted Resolution No. 24-337 supporting FY 2024-25 budget priorities for future discretionary funds made available to use in the unincorporated area of the County:

- 1) Road Repair and Infrastructure Projects - repair roads and bridges, fix potholes, and address failing public facilities and infrastructure that have exceeded their useful life.
- 2) Water and Sewer (Wastewater) Infrastructure Projects - make repairs to improve reliability, efficiency, quality, and service for reliable, sustainable, and

safe water.

- 3) Parks Projects - restoring the recreational features and improving our County parks and lake recreational facilities for enhancing resident and visitorship experience.
- 4) Essential and Mandated County services, programs, and improvements, including but not limited to strategies to address housing affordability, reduce homelessness, and provide healthcare services for children and vulnerable populations.
- 5) Emergency Management and Response Services, including disaster response, animal services, and emergency communications.

On November 5, 2024, voters approved Measure AA with 53.33% voting yes.

On January 7, 2025, the Board established an Ad Hoc Committee consisting of Board Members from Supervisorial Districts 2 and 3 to provide recommendations related to the general governmental use of Measure AA revenue in the unincorporated areas of Monterey County.

The CAO's FY 2025-26 Recommended Budget, released in May 2025, used Measure AA funds (\$1,873,679) to support services in unincorporated areas of the County.

- Sheriff's patrol staffing (\$749,892 for three positions);
- Housing and Community Development services (\$936,287);
- Health Department food vendor compliance and animal services (\$90,000); and,
- Public Works, Facilities, and Parks temporary staff (\$97,500).

At the end of May 2025, during the Budget Hearings, the Board affirmed the services to be funded with Measure AA revenue and expanded the use further (\$2,450,117) when the Budget was adopted in June 2025.

- Offsetting a reduction in contribution level from TOT to the Road Fund (\$1,673,966);
- Sheriff's three vacant positions restored (\$568,528);
- Health Department animal services spay and neuter clinic (\$26,780); and
- Hitchcock Road Animal Services county's share of salary and benefits for positions supporting (\$180,842).

The total Measure AA revenue used for the FY 2025-26 Adopted Budget were \$4,323,796.

The Board is asked to affirm \$1,450,000 million for the AXON cameras requested by the Sheriff's Office, \$50,000 for the Regenerative California's blue economy and fisheries initiatives, and \$50,000 for the Reservoir's AgTech initiatives, in the unincorporated areas of the County.

For further use of Measure AA, the Ad Hoc Committee was asked to bring forward recommendations for the Board's consideration. The Board is asked to review and provide feedback on the proposed funding parameters.

OTHER AGENCY INVOLVEMENT: (ADDED VIA SUPPLEMENTAL)

The County Administrative Office coordinated with the Office of County Counsel on the development of this report. The Ad Hoc Committee provided the proposed recommendations.

FINANCING: (ADDED VIA SUPPLEMENTAL)

There is no impact to the General Fund associated with the recommended actions. HdL estimates that the 1% sales tax could generate approximately \$24,000,000 for FY 2025-26. This estimate and recognized revenues can vary annually.

Prepared by: Karina Bokanovich, Management Analyst III

Approved by: Nicholas E. Chiulos, Chief Assistant County Administrative Officer

Attachments:

- Public Opinion Polling Results presented to Board on 5/29/24
- Resolution No. 24-236 - Calling for Election
- Resolution No. 24-337 - FY 2024-25 Budget Priorities
- Ordinance No. 5423